





RB 4932



Presented to  
The Library  
of the  
University of Toronto  
by  
Hon. C. P. McTague



CA1  
Z1  
-59721

Page

Canada. Royal commission on transportation.


Hearings. V. 41-43. 1960.

1961









Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto







*Hon. C.P. McLaughlin*

**ROYAL COMMISSION**  
**ON**  
**TRANSPORTATION**

**HEARINGS**

HELD AT  
**VANCOUVER**  
British Columbia

VOLUME No.:

**41**

DATE:

**FEBRUARY 23 1960**

OFFICIAL REPORTERS  
ANGUS, STONEHOUSE & CO. LTD.  
372 BAY STREET  
TORONTO  
EM. 4-7383 EM. 4-5365









ANGUS. STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

ANGUS. STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

ROYAL COMMISSION ON TRANSPORTATION

ERRATUM

Proceedings of hearings held  
in the Hotel Vancouver, Van-  
couver, British Columbia, on  
the 25th day of February, 1960.

After the words "comparatively  
little to the"

Add \_\_\_\_\_

COMMISSION

|                            |          |
|----------------------------|----------|
| Mr. M. A. MacPherson, Q.C. | Chairman |
| Mr. H. Anscomb             | Member   |
| Mr. A. H. Balch            | Member   |
| Mr. R. Gobeil              | Member   |
| Mr. H. A. Mann             | Member   |
| Mr. A. Platt               | Member   |

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. H. W. Ellicott      Adviser

\_\_\_\_\_

|                    |                     |
|--------------------|---------------------|
| Mr. F. W. Anderson | Secretary           |
| Major N. Lafrance  | Assistant Secretary |

\_\_\_\_\_





ANGUS. STONEHOUSE & CO. LTD.  
TORONTO. ONTARIO

E R R A T U M

Vo. 41 (Vancouver hearings)

Page 6816, line 26:

After the words "comparatively  
little to the"

Add "full shipments"

-----







Vancouver, B. C.,  
Thursday,  
February 25, 1960.

---On commencing at 9.30 a.m.

THE CHAIRMAN: Will you come to order,  
gentlemen, please. Mr. Brazier?

MR. BRAZIER: Mr. Chairman and members  
of the Commission, the first brief this morning will be  
presented by Mr. Barry Creelman on behalf of the Surrey  
Co-operative Association.

Mr. Creelman and his Association have been  
interested for a period of years in freight rate matters,  
and they represent a large group of farmers in Fraser  
Valley, not too far distant from Vancouver and I will  
ask Mr. Creelman to read his brief.

THE CHAIRMAN: Mr. Brazier, I think we  
realize that part of this has been subject to investiga-  
tions before the Board and the court, and we are not a  
Court of Appeal but we do want to hear the brief because  
it is a matter of interest.

MR. BRAZIER: As a matter of fact, Mr.  
Chairman, this same matter, I think I can safely say,  
has been before the Board on at least two occasions and  
the Board -- and finally the Supreme Court of Canada  
in interpreting the statute found against the submissions  
that were made, and if relief is to be given then it  
will require a recommendation from this Commission by  
way of an amendment to the Railway Act.

THE CHAIRMAN: Well, we will hear it.







BARRY CREELMAN, called

THE WITNESS: Mr. Chairman and members of the Royal Commission to review Railway problems. This brief is presented on behalf of the members of the Surrey Co-operative Association with office and plant in Cloverdale, B. C., and with two branches, one in Abbotsford, B.C. and one in Ladner, B.C.

The Surrey Co-operative Association is a consumers' supply cooperative with over 8,000 members in the Lower Fraser Valley. The most important function of the Association is to supply its farmer members with their feed requirements for the production of poultry, dairy and livestock products. A very large percentage of the feed used in the lower Fraser Valley is a complete mixed feed, comparatively little feed grain being grown locally. Therefore most of the feed grains and feed grain by-products requirements are bought from the prairie provinces or the Peace River area in British Columbia and freight costs are very important in the cost of production of poultry, dairy and livestock products in the Fraser Valley.

There are two freight rates applying to grain moving from the prairie provinces to the terminals in British Columbia, that is the export rate and the domestic rate, while grain moving from the prairie provinces to the terminals at the lakehead all goes for the one rate, which is called the Crow's Nest Pass rate and is on approximately the same mileage basis as the export rate to the British Columbia terminals.





1                   When the Crow's Nest Pass rates were last  
2                   established in 1925 they only covered the freight  
3                   rates on grain moving from prairie points to Fort  
4                   William and applied to all grain both domestic and  
5                   export.

6                   The Board of Transport Commissioners ordered  
7                   that grain shipped for export from the prairie pro-  
8                   vinces to the Pacific coast be on approximately the  
9                   same mileage basis as the Crow's Nest Pass rates set  
10                  by Parliament, and established a different mileage basis  
11                  for grain shipped to Pacific points for domestic use in  
12                  British Columbia.

13                  The rates established from Edmonton or  
14                  Calgary to Vancouver or New Westminster for export were  
15                  20 cents per 100 pounds and for domestic  $41\frac{1}{2}$  cents per  
16                  100 pounds. In 1933 the railways instituted Tariff  
17                  145 which reduced the domestic rate by  $11\frac{1}{2}$  cents per  
18                  100 pounds. Thus the rate for domestic grain was  
19                  30 cents from Edmonton or Calgary to Vancouver from  
20                  1933 to July 1st, 1951 when the railways abolished  
21                  Tariff 145. The present rate from Edmonton to  
22                  Vancouver for domestic use is 74 cents per 100 pounds  
23                  and from Calgary to Vancouver for domestic use is 66  
24                  cents per 100 pounds while the export rate is still the  
25                  same at 20 cents per 100 pounds from both places.

26                  There is absolutely no difference in the  
27                  handling or the equipment used for domestic or export  
28                  grain. The cars are the same and they come on the  
29                  same trains; in fact very often grain is shipped to the  
30







1 terminals in Vancouver at the export rate and then  
2 months later moved from the terminals for domestic use at  
3 which time the railways receive the difference between  
4 the export and domestic rate. The farmers in the Fort  
5 William-Port Arthur area who use prairir grain, pay only  
6 the same freight rate on the grain they use as is charged  
7 for export to Vancouver and the amount of this rate is  
8 deducted from the initial price paid to the prairie  
9 grain producer.

10  
11 So that you will fully appreciate the extent  
12 of the cost of freight on feed grains and feed grain  
13 by-products in the lower Fraser Valley, I will explain  
14 the basis on which these products are purchased. Wheat,  
15 oats and barley produced in the three prairie provinces  
16 must be purchased through the Canadian Wheat Board who  
17 have as their agents the elevator companies such as the  
18 Wheat Pools, the United Grain Growers, the Searle  
19 Grain Company, the National Grain Company, the Alberta  
20 Pacific Grain Company, etc.

21 The Prairie grain producer must sell his grain  
22 to the Canadian Wheat Board who have the elevator com-  
23 panies on the prairie acting as their agents. All pro-  
24 ducers in the prairie provinces are paid an initial  
25 payment for their grain basis in store Fort William-  
26 Port Arthur for oats and barley, and basis in store  
27 Fort William-Port Arthur or Vancouver export rate which-  
28 ever is the lower for wheat.

29 This initial payment is the same for all pro-  
30 ducers basis grade and shipping point. Thus a producer







1 of No. 4 wheat will receive the initial payment which  
2 is set by the Canadian Wheat Board this year at 1.25  
3 per bushel in store Fort William-Port Arthur or  
4 Vancouver export rate, less handling charge of  $4\frac{1}{2}$  cents  
5 per bushel, less the freight to Fort William-Port Arthur  
6 or Vancouver export rate whichever is the lower.

7 An example.

|    |                                    |                                      |   |
|----|------------------------------------|--------------------------------------|---|
| 8  | A farmer in Edmonton receives for  |                                      |   |
| 9  | No. 4 Wheat                        | 1.25 per bushel                      |   |
| 10 | less elevator handling charge      |                                      |   |
| 11 | of $4\frac{1}{2}$ cents per bushel |                                      |   |
| 12 | less export freight rate to Van-   |                                      |   |
| 13 | couver of 12 cents per bushel      | <u>.16<math>\frac{1}{2}</math></u> " | " |
| 14 | Initial payment to farmer          |                                      |   |
| 15 | in Edmonton                        | 1.08 $\frac{1}{2}$ "                 | " |

16 At the close of each crop year the Canadian  
17 Wheat Board make a final payment to all prairie  
18 producers of grains based on the final returns for the  
19 different grades marketed and this final payment is the  
20 same to all producers regardless of point of shipment  
21 as all charges have been deducted from the initial  
22 payment.

23 The Canadian Wheat Board sets the price each  
24 day that their agents the grain companies must sell grain  
25 both for domestic use and for export either from the  
26 lakehead terminals and from the British Columbia terminals.

27 The price set by the Canadian Wheat Board for  
28 wheat for domestic use in the Fraser Valley is a price  
29 in store B.C. terminal, Vancouver export freight rate  
30 paid.

The price set by the Canadian Wheat Board for  
oats and barley for domestic use in the Fraser Valley is





1 a price in store B.C. terminals, Fort William freight  
2 rate paid.

3           The export freight rate being on a comparative-  
4 ly low mileage basis varies very moderately between  
5 different prairie points but the domestic rate being  
6 on a very much higher mileage basis varies very considera-  
7 bly. Therefore to arrive at the cost of wheat, oats  
8 or barley for domestic use in the Fraser Valley the  
9 original prairie shipping point must be determined and  
10 the difference in the domestic and export freight rates  
11 from this point to Vancouver in the case of wheat, and  
12 the difference in the freight rate from the prairie  
13 shipping point to Fort William and the domestic freight  
14 rate to Vancouver, in the case of oats and barley, must  
15 be added to the price set by the Canadian Wheat Board to  
16 arrive at the cost for domestic use in the Fraser Valley.

17  
18           We submit that the consumers of feed grain in  
19 British Columbia are entitled to the same basic mileage  
20 freight rates on the grain they use from the prairie  
21 provinces as the people in the Fort William area enjoy.  
22 Vancouver and Fort William are approximately the same  
23 distance from the grain producing area in the prairie  
24 provinces.

25           An example of the very wide discrepancy pre-  
26 vailing in the cost to consumers of prairie grain in  
27 British Columbia and Fort William, I cite the following  
28 point:







Medicine Hat - Domestic rate to Vancouver 76¢ per 100 lbs.  
Export rate to Vancouver 23¢ per 100 lbs.  
Freight rate either domestic or export to  
Fort William - 24¢ per 100 lbs.

Marwayne - Domestic rate to Vancouver 79¢ per 100 lbs.  
Export rate to Vancouver 24¢ per 100 lbs.  
Rate to Fort William 25¢ per 100 lbs.

The following is an example of the method used  
to calculate the cost of grain to feed dealers for sale  
in the Fraser Valley:

No. 4 Wheat

Canadian Wheat Board price basis in store  
Terminals, Vancouver export freight  
paid per bushel 1.50

Add terminal elevator charges per bushel 3  
1.53

Converted to per ton price f.o.b. Vancouver  
export freight rate paid 51.00

Add difference in export and domestic freight  
rate (which varies tremendously depend-  
ing on the point of shipment

Falher Export rate to Vancouver 26¢ per 100  
lbs. Domestic rate 80¢ per 100 lbs.  
diff. 54¢ per 100 lbs.

Airdrie Export rate to Vancouver 20¢ per  
100 lbs. Domestic rate 67¢ per 100 lbs.  
diff. 47¢ per 100 lbs.)

Say Falher per ton 10.80

Add differential of 3½¢ per 100 lbs. to  
Cloverdale over Vancouver .70

Total cost per ton f.o.b. Cloverdale \$62.50

from which must be deducted freight assis-  
tance which is the amount of freight on domestic  
basis with Calgary or Edmonton rate whichever  
is the lower the maximum allowed, less \$5.00  
per ton. Freight Assistance to Cloverdale  
is therefore, Calgary domestic rate of 66¢  
plus differential to Cloverdale of 3½¢ -  
69½¢ per 100 lbs. or \$13.90 less \$5.00  
per ton - or 8.90

Net cost to feed dealers in Cloverdale \$53.60

If purchased from Airdrie there is a differ-  
ence of 1.40 per ton on domestic freight rate.







1                   The method used to calculate the cost of oats  
2 and barley for domestic use in the Fraser Valley is  
3 the same as the method used to calculate wheat except  
4 that the difference added for freight is based on the  
5 difference between the prairie shipping point freight  
6 rate to Fort William and the prairie shipping point  
7 domestic freight rate to Vancouver. This difference is  
8 a little less on oats and barley from Alberta points  
9 than for wheat.

10                   The purchasers of prairie grain in Eastern  
11 Canada pay the price set by the Canadian Wheat Board  
12 each day which is based Fort William or Vancouver but  
13 they do not have to add anything further for freight to  
14 Fort William as the B.C. purchasers do for freight to  
15 Vancouver. Consumers in Eastern Canada have to pay  
16 additional freight beyond Fort William but so do the  
17 consumers in British Columbia pay an additional freight  
18 beyond Vancouver.

19                   Our plant at Cloverdale is only 25 miles from  
20 Vancouver and we pay an additional 10 cents per 100  
21 pounds if shipped out of the terminals and  $3\frac{1}{2}$  cents  
22 per 100 pounds if shipped direct to Cloverdale without  
23 going to the terminals.

24                   The price set each day by the Canadian Wheat  
25 Board is basis in store Vancouver or Fort William for  
26 wheat and basis in store Fort William for oats and  
27 barley. Therefore the difference of \$10.80 per ton  
28 from Falher and \$9.40 per ton from Airdrie (as shown  
29 in the examples above) is additional cost to the  
30





1 producers in the Fraser Valley.

2 The St. Lawrence Seaway was opened in June  
3 1959 and has been and will continue to be a real benefit  
4 to prairie grain producers in particular and possibly  
5 a real benefit to Eastern Canadian livestock and poultry  
6 producers.

7 The Canadian Wheat Board have two classes of  
8 wheat to deal with, I.W.A. and Class 2 which is sold  
9 for export and domestic wheat which is used in Canada.  
10 They have a selling price which they set each day for  
11 each of these classes of wheat.

12 Export wheat is priced basis Fort William  
13 and basis Vancouver and the domestic price is always  
14 the same as the export price basis Fort William in store  
15 either at Fort William or Vancouver export freight  
16 basis.

17 The Fort William price is the basis used in  
18 calculating the world price of wheat and the Vancouver  
19 price is above the Fort William price by the amount of  
20 the advantage Vancouver has over Fort William in ocean  
21 freight when selling to world markets.

22 The Canadian Wheat Board are an extremely  
23 efficient organization and are endeavouring to obtain  
24 the best possible price for wheat on the world markets  
25 for the benefit of the grain producers of the prairie  
26 provinces, and must make commitments and sales far in  
27 advance of shipping dates.

28 In order to take advantage of the benefits  
29 of the St. Lawrence Seaway lower freight rates to world  
30







1 markets they raised the price of wheat at Fort William  
2 for export, which automatically put the domestic price  
3 up a like amount from either Fort William or Vancouver,  
4 by 5 5/8 cents per bushel on January 30, 1959 but  
5 did not raise the price of wheat for export from Vancouver  
6 because this was the amount that was considered would  
7 be the freight advantage to Fort William movement of  
8 grain when the St. Lawrence Seaway was opened. This  
9 must have proven right because the spread has remained  
10 approximately constant since that time. The point is  
11 that the wheat market did not go up but the St. Lawrence  
12 seaway gave an advantage of 5 5/8 cents per bushel to  
13 prairie producers in the price of wheat and the con-  
14 sumers have been called upon to pay this additional cost  
15 on all wheat used for domestic purposes.  
16

17 We are glad to see the prairie grain producers  
18 enjoying this benefit but feel it is one more reason why  
19 domestic users of prairie grain in British Columbia  
20 should be afforded the same grain freight rate to  
21 Vancouver as domestic users in Eastern Canada are  
22 afforded in grain freight rates to Fort William.

23 In order to make clear the wide variations  
24 between export and domestic rates from prairie points  
25 to British Columbia and the effect it has on the users  
26 of prairie grain in British Columbia, I will cite a few  
27 examples to show that the farther away the shipping  
28 point is, the greater the difference between the export  
29 and the domestic and this is the amount that the British  
30 Columbia consumers pay more than the Eastern consumers.







|    |            | <u>Cents per 100 lbs.</u> |                 |                   |                   |
|----|------------|---------------------------|-----------------|-------------------|-------------------|
|    |            | <u>Export</u>             | <u>Domestic</u> |                   | <u>Per Ton</u>    |
|    |            | <u>Freight</u>            |                 |                   |                   |
|    |            | <u>Rate</u>               | <u>Rate</u>     | <u>Difference</u> | <u>Difference</u> |
| 4  | Calgary    | 20                        | 66              | 46                | 9.20              |
| 5  | Airdrie    | 20                        | 67              | 47                | 9.40              |
| 6  | Ardrossan  | 20                        | 74              | 54                | 10.80             |
| 7  | Athabasca  | 22                        | 76              | 54                | 10.80             |
| 8  | Barhead    | 23                        | 76              | 53                | 10.60             |
| 9  | Bashaw     | 22                        | 76              | 54                | 10.80             |
| 10 | Bonnyville | 22                        | 77              | 55                | 11.00             |

Q. Do you wish to comment on that table?

A. I just might say that it varies from \$9.20 to \$11.00 a ton from these points which I have cited.

There are hundreds of points that can be given, each with a different differential rate.

Attached please find a sheet listing the domestic and export rates from Edmonton and Calgary to Vancouver, the freight assistance rates, and the rate from Vancouver to Cloverdale, and the arbitrary rate to Cloverdale if shipped direct to Cloverdale from prairie points, covering the years 1933 to date.

The freight rate changes listed apply to all points and vary according to the distance from each point to Vancouver.

The freight assistance policy of the government of Canada was instituted on November 18, 1941 and at that time provided for the payment of all the freight on domestic grain with Edmonton and Calgary rate the maximum.





1 Since 1941 this policy has been changed a  
2 number of times and at present provides for the payment  
3 of freight on domestic grain with Calgary or Edmonton  
4 whichever is the lesser the maximum, less \$5.00 per ton.

5 There is comparatively little grain of the grade  
6 required by the feed trade in the Fraser Valley produced  
7 at Calgary and all the additional freight differential  
8 beyond the Calgary rate must be paid by the consumers  
9 of grain in British Columbia.  
10

11 Recommendations:

12 In the foregoing I have tried to give you a  
13 complete picture of the handling of grain from the  
14 producer in the prairie provinces to the consumer in  
15 British Columbia and the effect of freight rates on the  
16 cost of this grain.

- 17 1. We believe that a real injustice is being  
18 perpetuated by the domestic grain rates on  
19 grain moving to Vancouver from the prairie  
20 provinces and recommend that you strongly urge  
21 the government of Canada to pass legislation  
22 so that all grain moving to British Columbia  
23 moves at the same rate as all grain moves to  
24 Fort William.
- 25 2. If you are not willing to make this recommen-  
26 dation or are of the opinion that the govern-  
27 ment of Canada will not adopt this recommen-  
28 dation, we urge that you recommend to the  
29 government of Canada to extend the Freight  
30 Assistance policy to cover the difference







1                   between the export and domestic grain rates  
2                   moving from all points in the prairie provinces  
3                   to British Columbia and to have the Canadian  
4                   Parliament make this permanent unless changed  
5                   by an Act of Parliament.  
6  
7  
8                   -  
9  
10  
11                  -  
12  
13  
14                  -  
15  
16  
17                  -  
18  
19  
20                  -  
21  
22  
23                  -  
24  
25  
26                  -  
27  
28  
29  
30







The following is a listing of the domestic and export freight rates and freight assistance on feed grains from Calgary and Edmonton to Vancouver over the past number of years. Other prairie points have rates similar to these with appropriate differences based on the different mileage to Vancouver also Cloverdale Arbitrary over Vancouver and Vancouver to Cloverdale grain rate

|   | Edmonton<br>Domestic<br>Rate | Edmonton<br>Freight<br>Assistance | Edmonton<br>Export<br>Rate | Calgary<br>Domestic<br>Rate | Calgary<br>Freight<br>Assistance | Calgary<br>Export<br>Rate | Cloverdale Vancouver<br>Arbitrary to Clov.<br>over Van. grain rate |
|---|------------------------------|-----------------------------------|----------------------------|-----------------------------|----------------------------------|---------------------------|--|
| Rate prior to 1933 to Vancouver   |                              |                                   |                            |                             |                                  |                           |  |
| 1933 Tariff 145 was instituted. (tariff 145 provided for the reduction in the domestic rate of 11 $\frac{3}{4}$ ¢ per 100 lbs. from Prairie points to Vancouver on feed grain, mill feeds and feed screenings providing these feeds were used in B.C. for the production of livestock and poultry) this made the rates to Vancouver.  | 11 $\frac{3}{4}$             | --                                | 20                         | 11 $\frac{3}{4}$            | --                               | 20                        | 3 5  |
| Nov. 18, 1941 - Freight Assistance was instituted and provided for the payment of all freight from Edmonton or Calgary (which was the same at that time) to British Columbia points. As freight rates increased the freight Assistance increased with the Calgary rate the maximum that would be paid. This was paid by the Federal government on claim.  | 30                           | --                                | 20                         | 30                          | --                               | 20                        | 3 5  |
| The arbitrary to Cloverdale over the Vancouver was also paid by Freight Assistance and the amount of the arbitrary on grain shipped to Cloverdale from Vancouver.   | 30                           | 30                                | 20                         | 30                          | 30                               | 20                        | 3 5  |
| Sept. 15, 1948 - Vancouver to Cloverdale grain rate raised 2¢ per 100 lbs.  | 30                           | 30                                | 20                         | 30                          | 30                               | 20                        | 3 5  |
| July 1, 1949 - The mountain differential was removed. This caused a difference in the Edmonton to Vancouver and Calgary to Vancouver rates on domestic grain. The new rate without Tariff 145 was, Edmonton to Vancouver 39 $\frac{3}{4}$ ¢ per 100 lbs. and Calgary to Vancouver 36 $\frac{3}{4}$ ¢ per 100 lbs., but as the rate of 30¢ under tariff 145 was less than either the Edmonton or Calgary new rates, the rates paid by feeders remained the same under tariff 145 | 30                           | 30                                | 20                         | 30                          | 30                               | 20                        | 3 5  |
| July 1, 1951 - Tariff 145 was abolished   | 36 $\frac{3}{4}$             | 36 $\frac{3}{4}$                  | 20                         | 36 $\frac{3}{4}$            | 36 $\frac{3}{4}$                 | 20                        | 3 5  |
| Nov. 25, 1952 - 25¢ increase in rates   | 51                           | 46                                | 20                         | 46                          | 46                               | 20                        | 3 5  |
| Jan. 1, 1953 - 9¢ increase in rates   | 56                           | 50                                | 20                         | 50                          | 50                               | 20                        | 3 5  |
| Mar. 16, 1953 - 7¢ increase in rates  | 60                           | 54                                | 20                         | 54                          | 54                               | 20                        | 3 5  |
| Feb. 1, 1955 - Freight Assistance reduced (Freight Assistance policy changed and paid only the amount of the freight from Calgary to B.C. points less 45.00 per ton and abolished the automatic increase in freight assistance if freight rates were increased (the Freight Assistance was then reduced from 10.80 per ton to 5.50 per ton)   | 60                           | 29                                | 20                         | 54                          | 29                               | 20                        | 3 5  |





July 3, 1956 - 7% interim increase in rates  
Jan. 1, 1957 - Interim increase of 7% increased to 11%  
interim increase  
Mar. 1, 1957 - The freight assistance policy changed to  
pay the actual freight from prairie points to B.C. points  
less \$5.50 per ton but with the freight rate from Edmonton  
the maximum and again automatically covers any further  
increase in freight rates  
Feb. 1, 1958 - Board of Transport Commissioners granted  
railways 3.6% increase but this was not allowed by  
government.  
Dec. 1, 1958 - 17% increase in rates but Freight Assistance  
policy was also changed on Dec. 1, 1958 to provide for  
payment of freight from Edmonton, Calgary or point of origin  
of grain whichever is the lower less \$5.40 per ton. This  
means that Calgary is again the maximum rate that can be paid  
In the fall of 1958 the P.G.E. was extended to the Peace River  
and Fort St. John and Dawson Creek are now able to ship vi  
P.G.E. to Vancouver. The P.G.E. established a rate of 67¢  
per 100 lbs. to Vancouver from Fort St. John or Dawson  
Creek on Domestic Grain and the C.N.R. and C.P.R. through  
their joint operation of the N.A.R. Railway reduced the  
rate from Dawson Creek, to Vancouver for domestic grain  
to 67¢ per 100 lbs. When the 17% increase went into effect  
on December 1st, 1958 the P.G.E. didn't raise their rates  
until December 29, 1958 when they raised the 67¢ to 71¢ and  
the other railways established a 71¢ rate to Vancouver for  
domestic grain from Dawson Creek. In the spring of 1959  
both P.G.E. and N.A.R. rates from Dawson Creek to Cloverdale  
were changed to 71¢ including arbitrary rate to Cloverdale  
Aug. 1, 1959 - Government of Canada gave railways a 20  
million subsidy and ordered the 17% increase granted on  
December 1st, 1958 reduced to a 10% increase for one year  
at the same date Aug. 1, 1959 the Freight Assistance policy  
was changed to pay freight from Edmonton, Calgary or point  
of origin whichever is the lower to B.C. points less \$5.00  
per ton  
P.G.E. & N.A.R. rates not having gone up 10% on December 1953  
were not effected by this order.

|    |        |    |       |        |
|----|--------|----|-------|--------|
| 64 | 29     | 20 | 3 1/4 | 8 1/2  |
| 57 | 29     | 20 | 3 1/4 | 9      |
| 67 | 39 1/2 | 20 | 3 1/4 | 9      |
| 73 | 43     | 20 | 3 3/4 | 10 1/2 |
| 74 | 41     | 20 | 3 1/2 | 10     |
| 66 | 41     | 20 |       |        |
| 41 | 43     | 20 |       |        |
| 20 | 43     | 20 |       |        |
| 20 | 58     | 20 |       |        |
| 60 | 29     | 20 |       |        |







1 Q. Would you like to make any comment?

2 A. Well, I would just say that the attached  
3 table covers the points Edmonton and Calgary only, and  
4 freight rates vary from different points, according to  
5 the mileages. The figures we have shown and the ex-  
6 planations on the left hand side are the changes, and I  
7 have explained what caused the change and then given the  
8 effect of it over on the right hand side.

9 Q. Mr. Creeland, when you make reference to  
10 domestic grain in your brief, I presume you are refer-  
11 ring to domestic feed grain?

12 A. That is right, and grain by-products.

13 Q. . . . which is the product on which the  
14 subsidy is paid -- freight assistance?

15 A. Yes, that is right.

16 Q. At the top of page 4:

17 "The price set by the Canadian Wheat Board  
18 for oats and barley for domestic use in the Fraser  
19 Valley is a price in store B.C. terminals, Fort  
20 William freight rate paid."

21 Why is the distinction made between wheat and barley and  
22 oats?

23 A. Coarse grains -- oats and barley -- the  
24 big market for these grains is in Eastern Canada, and  
25 there is comparatively little to the  
26 coming in to Vancouver because of the advantage that  
27 the prairie producer in Alberta would gain if it was  
28 basis Vancouver as well as Fort William, the same as the  
29 wheat, and the market being mostly in Eastern Canada the  
30







1 Canadian Wheat Board have not allowed oats and barley  
2 to be priced Vancouver as well as Fort William.

3 Q. Just one other thing: on page 6 you refer  
4 to two classes of wheat; I.W.A. and Class 2. The  
5 abbreviation "I.W.A." has various meanings in this  
6 province; is that a grade of wheat?

7 A. International Wheat Agreement.

8 Q. It is a grade of wheat?

9 A. No, no. It is wheat sold to the countries  
10 who are joined into the International Wheat Agreement  
11 and have agreed to take so much wheat. Export wheat  
12 can be sold to countries outside of the Wheat Agreement  
13 at a different price than contracted for in the wheat  
14 agreement, but as long as wheat has been remaining in  
15 the minimum and maximum provisions of the International  
16 Wheat Agreement prices, I think the export price is all  
17 the same.  
18

19 CROSS-EXAMINATION BY MR. CUMMING:

20 Q. Mr. Creelman, on the first page of your  
21 brief in the second paragraph, you point out that the  
22 freight costs on feed grains and feed grain by-products  
23 are a very important factor in the cost of production of  
24 poultry, dairy and livestock products in the Fraser  
25 Valley. Have you any figures that would show the per-  
26 centage relationship of those costs to the selling price  
27 of the products that are involved, or are you in a  
28 position to develop those and let us have them?

29 A. It would be very difficult for me to give  
30 you a real concrete answer to that. I can say that





1 wheat, for example, is delivered to our members on their  
2 farms for \$61.25 a ton, I think it is, at the moment, and  
3 the freight rate that we would pay would be \$10.80 over  
4 the export rate. So, you can see that relationship to  
5 wheat, and that we receive \$8.90 a ton freight assistance.

6 Q. What I really had in mind was the freight  
7 costs on these products in relation to the selling price  
8 of your members' produce -- but that is drawing much too  
9 long a bow?

10 A. Oh, no, I couldn't help you.

11 Q. You contrast the situation in which your  
12 members find themselves with that of the farmers in the  
13 Fort William and Port Arthur area: can you tell the  
14 Commission the extent to which your members are in com-  
15 petition with farmers in that area in the sale of their  
16 products?

17 A. I doubt if we are in competition at the  
18 present time to a very great extent.

19 Q. You are not sharing a common market?

20 A. No. Occasionally Ontario does ship  
21 broilers and eggs up to this market, but it is not too  
22 often.

23 Q. On page 6 you speak of the differentials,  
24 10 cents a hundred pounds if these grains come to Van-  
25 couver and go back to Cloverdale, and 3½ cents if  
26 shipped direct: what is the practice in the movement --  
27 is most of what you handle coming direct to your plant  
28 at Cloverdale?

29 A. Most of it comes direct to Cloverdale. We







1 try to save that  $6\frac{1}{2}$  cents.

2 Q. In the table at the bottom of page 7,  
3 just so we can have the situation clearly before us,  
4 you show in the right hand corner the per ton differ-  
5 ences: that, I take it, from what you said before, is  
6 before the feed grain assistances are paid, is it?  
7

8 A. That is right.

9 Q. On page 8 you point out that there is  
10 comparatively little of the grain required by the feed  
11 grain trade coming from the Calgary area, and the greater  
12 proportion comes from east of that point; can you tell  
13 us just what those relative proportions are?

14 A. No, not exactly, but it would be a very,  
15 very small proportion that we would be able to take ad-  
16 vantage of the best rate from Calgary. Everybody in  
17 the feed trade is grabbing what available products there  
18 are from these good points as they become available, and  
19 the majority -- oh, ninety per cent, I would say -- comes  
20 from higher costs than the Calgary point.

21 Q. Can you tell us in round figures the  
22 total annual payments that are made to the members of  
23 your Association under the Feed Grain Assistance Act?

24 A. Yes; last year, 1959, the members of our  
25 Association benefited by \$327,000 by the freight assis-  
26 tance.

27 Q. Would that be a typical year?

28 A. Well, our business has been expanding.  
29 It is perhaps the highest we have had because we have  
30 done a bigger volume of business; but, the year before --





1 I can give you that figure for the year before too.

2 Q. Yes. please; are you referring to 1959  
3 when you say "the year before"?

4 A. I said 1959 was \$327,000. In 1958 it was  
5 \$259,956.  
6

7 CROSS-EXAMINATION BY MR. FRAWLEY:

8 Q. Mr. Creelman, I want first of all to  
9 compliment you on the persistence of the Surrey Co-op  
10 in keeping this matter alive and bringing it before in-  
11 vestigating bodies on every occasion. I want to say  
12 that while I have some differences with you that I  
13 certainly think you are entitled to a big E for effort.

14 You will agree with me that the real reason  
15 for this anomaly that you call attention to is that  
16 whereas in the Crow's Nest Pass Agreement and in the  
17 Statute of 1925 the words were simply, "grain to  
18 Fort William", on the contrary, when the Transport Board  
19 made its special Order in 1925 applying the Crow rates  
20 westbound, they added the words "grain to Vancouver for  
21 export", and that is what makes the distinction?

22 A. I presume that is right; I don't know.  
23 I am not acquainted with those. I know the effect it  
24 has on us.

25 Q. Now, as you know, the scale of rates which  
26 moves your domestic grain from Alberta origins to  
27 destinations in the Fraser Valley is the same scale of  
28 rates that moves the domestic grain all over western  
29 Canada?  
30

A. Yes, I believe that is right.







1 Q. So, you see the situation which requires  
2 me to take some exception to your scheme and it is  
3 simply this: the mileage from Fairview to Lethbridge  
4 is 670 miles, and the mileage from Calgary to Vancouver  
5 is 641 miles. If you will take that from me, that  
6 first mileage is approximately right -- from Fairview,  
7 in the Peace River country, to Lethbridge is 670  
8 miles, and the mileage from Calgary to Vancouver is  
9 641 miles. You have to pay the domestic rate on the  
10 grain that is taken out of the terminals in Vancouver  
11 and used in the Fraser Valley -- you have to pay the  
12 domestic rate, do you not?  
13

14 A. Pardon?

15 Q. You have to pay the domestic rate on any-  
16 thing you take out of the terminals in Vancouver and use  
17 in the Fraser Valley?

18 A. Yes.

19 Q. And the feed lot in Lethbridge bringing  
20 grain from Fairview, for roughly the same miles, would  
21 have to pay the same rate?

22 A. If he brought any down from Fairview, he  
23 would, but I doubt if anybody in Lethbridge would bring  
24 grain from Fairview.

25 Q. You say there is no movement of domestic  
26 grain from the Peace River country down into Southern  
27 Alberta or a part of Alberta for the big feed lots in  
28 the southern part of Alberta?

29 A. No, I don't say there is no movement, but  
30 I would not imagine it was anything very serious.





1 Q. Well, if there was a movement at all,  
2 then the feed operator in southern Alberta would be pay-  
3 ing the domestic rate?  
4

5 A. That is right.

6 Q. And after your proposal was accepted --  
7 because you see, you are limiting it to the movement  
8 from Alberta origins to Vancouver -- you are limiting it  
9 to just that, aren't you?

10 A. Not necessarily. That is what we ask for  
11 -- that is what we are interested in.

12 Q. Well, will you go along -- because this  
13 is exactly what I asked Mr. Brazier when he contested the  
14 thing in the Supreme Court of Canada -- will you say  
15 that you would like to have the whole of the prairie  
16 scale on domestic grain brought down to the export level?

17 A. I am not familiar enough with that, but  
18 we are asking that we be given parity with Fort William  
19 in the movement of this grain here to British Columbia.

20 Q. Well, that is one way of putting it: you  
21 are asking that the domestic rate be brought down to the  
22 export rate, then?

23 A. That is right.

24 Q. But you are limiting it to the movement  
25 from prairie origins -- chiefly Alberta, from your  
26 example -- to Vancouver?

27 A. Most of our grain comes from Alberta  
28 because we are closer to Alberta.

29 Q. That is right.

30 A. And we are asking it be given the same rate







1 as the export rate.

2  
3 Q. I am just putting it to you that to be  
4 consistent you could not possibly have a rate structure  
5 that would give the movement of domestic grain from  
6 these Alberta origins to Vancouver a reduction from 76  
7 cents down to 23 cents, in the case of Barhead, but  
8 leaving the rate from Barhead to some other place in the  
9 prairies, of similar mileage -- leave that at 76 cents?  
10 That is what I find wrong with your proposal.

11 A. Well, we have that situation now. We  
12 have from Barhead to Vancouver two rates.

13 Q. That is right.

14 A. You say we can't have it, but we do have it  
15 now, and we would like to get that part of it cleared up.

16 Q. I quite understand, but in doing so you  
17 would have the domestic movement from Barhead to Vancouver  
18 reduced from 76 to 23, and you have a domestic movement  
19 from Barhead to some other point left at 76; it is as  
20 simple as that.

21 A. If it went from Barhead to Fort William  
22 it would not be 76; it would be at the same rate as it  
23 comes here.

24 Q. No, not to Fort William east. Take the  
25 mileage from Barhead to Vancouver as 800 miles, say -- say  
26 it is 800 miles?

27 A. Yes.

28 Q. Take the movement from Barhead 800 miles,  
29 and you would say, "Just leave that rate alone. We are  
30 not concerned with that. Reduce our rate from Barhead





1 to Vancouver and knock it down to the export rate, but  
2 leave all the other parts of western Canada grain  
3 mileage scale the way it is." Do you see the situa-  
4 tion?

5 MR. BRAZIER: I would suggest to Mr. Frawley  
6 that a more comparable situation would be to take a  
7 point 700 miles from Fort William today. It would not  
8 be Barhead. It would be some other place. He said he  
9 wouldn't want two scales to exist, but, they already  
10 exist at a point 700 miles from Fort William, and they  
11 have only one rate into Fort William.

12 MR. FRAWLEY:- I understand the anomaly very,  
13 very well, and it simply arose because when the Crow's  
14 Nest Pass Agreement was being made they simply said,  
15 "Grain to Fort William" -- whether for export or domes-  
16 tic. When they made the Order going westbound they  
17 said, rightly or wrongly, "Grain from the prairie  
18 origins to Vancouver . . .", and they added the words  
19 "for export", and that makes the anomaly in the freight  
20 structure of which we are all very much aware. As far  
21 as I am concerned, I think the Surrey Co-Op is entitled  
22 to lots of credit for bringing that anomaly before  
23 investigating bodies such as this. All I can say, in  
24 fairness to the whole of the movement of western grain  
25 within Western Canada is that you would have a chaotic  
26 situation if you only reduced westbound rates to Van-  
27 couver down to the export level and left the rest of  
28 the Western Canada domestic grain rate scale at its  
29 present level. That is all I am speaking about.  
30







1  
2 Q. Mr. Creelman, I just want to ask you a  
3 couple of things. What percentage of your grain now  
4 coming down into the Fraser Valley moves over the PGE  
5 from the Peace River country?

6 A. I don't know the percentage. At certain  
7 times of the year it is quite a high percentage and at  
8 other times, as the grades that are available in the  
9 Peace River area are used up and are not available, we  
10 bring it from other places; but, there is quite a volume  
11 comes on the PGE now.

12 Q. I am looking at the map filed by the  
13 Province of British Columbia, and the PGE terminals now  
14 are Fort St. John and Dawson Creek. At the railhead  
15 at Dawson Creek, is grain drawn from very far -- from  
16 Alberta farms?

17 A. No, I don't think so.

18 Q. That all moves on the Northern Alberta  
19 Railway down through Edmonton?

20 A. I think so.

21 Q. I am thinking of places like Hythe that  
22 is very close to the B.C. border; it would move east  
23 and south over the NAR?

24 A. I would say so, but I don't know.

25 Q. At the moment you are not getting regularly  
26 your supplies over the PGE?

27 A. Not regularly, no.

28 MR. McDONALD: Mr. Chairman, I have no ques-  
29 tions of this witness. I just want to state our posi-  
30 tion: this matter has been threshed out before the Board





1 and also went to the Supreme Court of Canada, and as  
2 far as the Canadian National is concerned we do not  
3 want any more grain carried under the statutory rates,  
4 which we are carrying at a loss.  
5

6 CROSS-EXAMINATION BY MR. SINCLAIR:

7 Q. My name is Ian Sinclair, and I represent  
8 the Canadian Pacific. Is it the position of the  
9 experienced management of the Surrey Co-op that they  
10 pay the freight rate on this domestic grain and their  
11 customers pay the freight rate on this domestic grain?  
12

13 A. We pay the freight rate on the domestic  
14 grain -- the difference between the export and the  
15 domestic, less the freight assistance.  
16

17 Q. And if the freight assistance wasn't  
18 there, you would pay the full rate less the export  
19 figure?  
20

21 A. That is right.

22 Q. You would pay it?

23 A. We would pay it.

24 Q. And if a farmer in the prairies said he  
25 paid the domestic freight rates, he would be wrong, in  
26 your opinion?  
27

28 A. That is right.

29 Q. And if there wasn't a feed grain assis-  
30 tance, in your opinion, would the movement of feed grain  
from the prairies be adversely affected -- would the  
volume fall off?

A. It would, I believe, in my opinion.

Q. You said to my friend Mr. Frawley that you







1 didn't know about what happened in 1925, but you do say  
2 on page 1 of your brief that when the Crow rates were  
3 last established they only applied to Fort William.  
4 I suggest to you that in the amendment made in 1925  
5 there was a provision that made it necessary for the  
6 Board to apply the Crow's Nest basis of rates both  
7 eastbound and westbound.

8 A. I don't know.

9 Q. You don't disagree with that. You say  
10 that is a legal question in which you are not going to  
11 get involved?

12 A. That is right.  
13  
14  
15 -  
16  
17  
18 -  
19  
20  
21 -  
22  
23  
24 -  
25  
26  
27 -  
28  
29  
30





1  
2 Q. I see. Now, Mr. Creelman, would you  
3 suggest to this Commission that they recommend that  
4 the statutory grain rate basis which is now in effect  
5 to Fort William would only apply to export grain and  
6 would not apply to any domestic grain that moves  
7 through Fort William?

8 A. No, I wouldn't suggest that to the Com-  
9 mission.

10 Q. You wouldn't?

11 A. No.

12 Q. That would put Fort William on a parity  
13 with Vancouver, wouldn't it?

14 A. Also raise the costs, yes.

15 Q. But you wouldn't suggest it?

16 A. No, I certainly wouldn't.

17 THE CHAIRMAN: He has nothing against Fort  
18 William.

19 MR. SINCLAIR: That is all I have, Mr. Chair-  
20 man.

21 Now, of course, Mr. Chairman, I would like to  
22 say to Mr. Creelman that I think this case goes back to  
23 Senator Reid citing it before the Board, which he did  
24 without bagpipe and whip. And I must say that it is an  
25 old problem, and notwithstanding the problem, the growth  
26 of the lower mainland poultry industry, I think the  
27 Commission might well take note of, has gone forward and  
28 has brought people like Mr. Creelman who, with all their  
29 difficulties and problems, still seem to be able to pre-  
30 sent the same arguments with new twists every time.







1 BY COMMISSIONER ANSCOMB:

2 Q. Mr. Creelman, do I understand you to say  
3 in answer to Mr. Sinclair that you thought the volume of  
4 grain would fall off -- that is, grain coming westward --  
5 if the grain assistance was not granted?  
6

7 A. Yes, Mr. Anscomb. For domestic?

8 Q. Yes. Well, do you think that?

9 A. It would increase it to much more than  
10 \$8.90 per ton. That is the maximum we get, and with  
11 that additional cost, and with the condition of the  
12 poultry and livestock industry in British Columbia, I  
13 feel sure that a great many producers would be forced out  
14 of business.

15 Q. Well, will you just tell me -- because I  
16 am not in the poultry business -- why would they be  
17 forced out of business?

18 A. If the price went up sufficiently for eggs  
19 to offset it, they would probably stay in business.

20 Q. Will you take me to that point? Let us  
21 assume the price of eggs went up. They would have to go  
22 up, wouldn't they, if your costs rose?

23 A. No. Unfortunately, Mr. Anscomb, the  
24 farmer is not able to pass on his costs in the prices he  
25 sells his product for.

26 Q. Where would your competition for eggs come  
27 from if they were not produced in the Fraser Valley?

28 A. Oh, California, Washington, Alberta,  
29 Saskatchewan.

30 Q. All right. Did they come from there before





1 this feed grain assistance was granted in the first place,  
2 say, were they produced in the Fraser Valley?

3 A. They possibly came -- at times they come  
4 from Alberta now.

5 Q. Yes, yes. What I am trying to arrive at,  
6 and I find tremendous difficulty with some of these  
7 things. I was in the farming business myself, only  
8 I was in the loganberry business, which are aged to make  
9 people mellow; eggs don't make people mellow. As I  
10 understand it, the feed grain assistance was done during  
11 the war; wasn't it?

12 A. It was instituted, yes.

13 Q. Yes, it was instituted for a specific  
14 purpose. Is it the idea of all the farmers across Canada  
15 that the war situation had to go on in perpetuity in  
16 peace?

17 A. We would ask, Mr. Anscomb, that in the  
18 first place the freight rate -- the domestic freight  
19 rate -- be reduced to the export market, and if so -- if  
20 that is done -- recommendation No. 2 does not follow.  
21 And, we wouldn't need that freight assistance.

22 COMMISSIONER ANSCOMB: All right; thank you.

23 THE CHAIRMAN: Under existing circumstances,  
24 I take it that you believe the freight rate assistance  
25 to be of great importance to agriculture in British  
26 Columbia?

27 THE WITNESS: I agree. I believe that, Mr.  
28 Chairman.

29 THE CHAIRMAN: And you know that it has been  
30







1 renewed year after year?

2 THE WITNESS: I know that.

3 THE CHAIRMAN: You would favour a continuance  
4 of it?

5 THE WITNESS: Yes, definitely.

6 THE CHAIRMAN: You would oppose any end of  
7 it?

8 THE WITNESS: As long as our freight rates  
9 remain on the domestic basis against the export basis,  
10 we would oppose any end to it very violently.  
11

12 BY COMMISSIONER MANN:

13 Q. Mr. Creelman, to cover the other side of  
14 the waterfront with Mr. Anscomb, without indication of  
15 how we hear about the matter, have you ever tried to  
16 get the feed grain freight assistance raised to cover  
17 the differential between the domestic and export rates?

18 A. We have never asked for it.

19 Q. Have you ever thought about it?

20 A. Yes.

21 Q. What has held you back? This may be  
22 a difficult question to answer.

23 A. It is a difficult question.

24 Q. I understand. Could you refer to page 6  
25 of your submission, Mr. Creelman, in the third full  
26 paragraph on page 6. You talk about the St. Lawrence  
27 and its influence on the prairie grain producers in  
28 particular, and you say it will also be possibly a real  
29 benefit to eastern Canadian livestock and poultry  
30 producers.





1 I wonder whether you would be good enough to  
2 tell us in what way it has been the case for eastern  
3 livestock and poultry producers?

4 A. I say the St. Lawrence seaway was opened  
5 in June, 1959, and has been and will continue to be a  
6 real benefit to prairie grain producers in particular  
7 and possibly a real benefit to eastern Canadian live-  
8 stock and poultry producers.

9 Q. What have you in mind?

10 A. I have in mind the reduced freight costs  
11 from Fort William down to Eastern Canada because of the  
12 St. Lawrence seaway.

13 Q. I see.

14 A. That is what I had in mind.

15 Q. Yes. You don't actually know whether it  
16 has been, as a result of the first season, a real benefit?

17 A. No, I don't know.

18 COMMISSIONER MANN: I think that is all I have.

19  
20 BY COMMISSIONER PLATT:

21 Q. Do you think that when the PGE gets  
22 better established and draws from a larger area in the  
23 north that most of your feed grain is likely to come  
24 that way?

25 A. That is a hard question to answer because  
26 at the present freight rates there is a breaking point.  
27 I don't know just where it is. You see, they will  
28 come from -- I would say that our oats and barley  
29 definitely would come from there, because oats and bar-  
30 ley, being based on the Fort William basis, and these







1 points being a long piece from Fort William, they have  
2 quite a reduction in the producer's price to what they  
3 have in eastern Alberta. So our price would be less  
4 on those grains, you see. You understand that?

5 So, I think our oats and barley would definitely  
6 come from there, if there was production there for them.

7 Q. If I were you, I wouldn't count on the  
8 barley situation remaining the way it is.

9 Do you also think there is a good possibility  
10 that those people might give you rough competition by  
11 shipping their eggs and that sort of thing down through  
12 the PGE?

13 A. They could.

14 Q. There is a movement in that part of the  
15 country now, isn't there, to switch to quite an extent,  
16 or at least to explore the possibilities of doing that?

17 A. I don't think there are enough eggs pro-  
18 duced up there at the moment to affect that, but it  
19 could happen.

20 Q. You know how quickly eggs can be produced?

21 A. Oh, yes.

22 THE CHAIRMAN: You have found that out during  
23 the past few months.

24 THE WITNESS: Yes.

25 COMMISSIONER PLATT: I think that is all,  
26 thank you.

27 THE CHAIRMAN: Mr. Creelman, how do the  
28 freight rates on the PGE compare with the CPR and  
29 Canadian National?  
30





1 THE WITNESS: Well ---

2 THE CHAIRMAN: Are they higher or lower,  
3 mileage-wise?

4 THE WITNESS: Mileage-wise. Oh, I presume  
5 they are about the same. I am not sure mileage-wise,  
6 but from Dawson Creek to Cloverdale the rate is 14.80,  
7 74 cents a hundred, and from Dawson Creek to Cloverdale,  
8 over the NAR it is exactly the same, 14.80. That is  
9 including the  $3\frac{1}{2}$  differential, and everything. But the  
10 freight rate from Calgary to Cloverdale over the CPR  
11 is 66 plus  $3\frac{1}{2}$ , so it is  $69\frac{1}{2}$  against 74 from Dawson  
12 Creek.

13  
14 Edmonton is 74, I believe, plus  $3\frac{1}{2}$ , which  
15 would be  $77\frac{1}{2}$ , against the 74 from Dawson Creek.

16 THE CHAIRMAN: But over the PGE there  
17 wouldn't be nearly as much mileage. It is closer to  
18 Dawson Creek by PGE than around the other way, isn't it?

19 THE WITNESS: Oh, definitely.

20 MR. BRAZIER: I am instructed, Mr. Chairman,  
21 that the rates on NAR were reduced when the PGE was  
22 finished into the Peace River area. The mileage being  
23 less, the NAR did cut their rates to meet the PGE rates.

24 THE CHAIRMAN: Yes. Thank you, Mr. Creelman.

25 THE WITNESS: Thank you, Mr. Chairman and  
26 members of the Commission. We do appreciate the oppor-  
27 tunity of presenting this to you, and not as a Court of  
28 Appeal or something, but we believe this is a fundamen-  
29 tal problem that you will be looking at.

30 THE CHAIRMAN: You feel you have a grievance







1 and you are here?

2 THE WITNESS: That is right.

3 THE CHAIRMAN: And we are here to listen.

4 THE WITNESS: Thank you.

5 THE CHAIRMAN: We will have a five-minute  
6 break.

7  
8 ---Short recess.

9  
10  
11 -

12  
13  
14  
15  
16 -

17  
18  
19  
20 -

21  
22  
23  
24 -

25  
26  
27 -





1 THE CHAIRMAN: All right, Mr. Brazier.

2 MR. BRAZIER: Mr. Chairman, before presenting  
3 the next brief you will recall at the hearing in  
4 Victoria Mr. Bonner was asked if he could supply a table  
5 showing the loads delivered and loads received from all  
6 connections, including the American railways, from the  
7 PGE, and we have now had this prepared for the years  
8 1955 to 1959, and I would like to file it as an exhibit.  
9 It is an extension of the table that is on page 8 of  
10 Mr. Bonner's brief.

11 MR. CUMMING: That will be exhibit No. 117.

12  
13 ---EXHIBIT NO. 117: Table showing loads delivered  
14 and loads received from connec-  
15 tions from the PGE.

16 MR. BRAZIER: You will notice that it includes  
17 loads delivered to and received from the Milwaukee  
18 Railway and the Union Pacific at Squamish, and it shows  
19 separately the loads delivered to and received from the  
20 Great Northern Railway at Vancouver, which were not on  
21 the original table.

22 The next brief, Mr. Chairman, is presented  
23 on behalf of the Cariboo-P.G.E. Lumber Manufacturers'  
24 Association, and Mr. Tucker Battle will present the  
25 brief, and I would now ask him to read it into the  
26 record.

27  
28  
29  
30







1  
2 TUCKER BATTLE, called

3 DIRECT EXAMINATION BY MR. BRAZIER:

4 Q. Yes, Mr. Battle?

5 A. Mr. Chairman and members of the Commis-  
6 sion, the Cariboo-P.G.E. Lumber Manufacturers' Associa-  
7 tion represents the principal lumber producers whose  
8 mills are situated on the provincially owned Pacific  
9 Great Eastern Railway. While the local rates are not  
10 subject to federal jurisdiction, the rates to the prairie  
11 provinces and eastern Canada are published by the  
12 Canadian Pacific or Canadian National and by the Canadian  
13 Freight Association respectively.

14 In the first place, this Association wishes  
15 to go on record as supporting the brief and recommenda-  
16 tions of the B. C. Lumber Manufacturers' Association.

17 The lumber industry is one of the most com-  
18 petitive of industries. On the one hand you have  
19 literally thousands of mills producing lumber under any  
20 variety of different conditions (all affecting their  
21 individual costs of production) and on the other hand  
22 thousands of potential buyers located in many different  
23 market areas all desiring to buy lumber at the lowest  
24 possible price. Even 25 cents or 50 cents a thousand  
25 board feet may be the difference between making a sale  
26 of lumber or not. If the difference becomes \$1.00 or  
27 \$2.00 the producer with the higher price will simply not  
28 be competitive or able to sell his lumber. Because of  
29 these factors it is essential that all producing areas be  
30





1 able to sell their product in as many markets as pos-  
2 sible. The principal markets for lumber mills situated  
3 in the interior of British Columbia are the prairie  
4 provinces, eastern Canada and the central states of  
5 the United States.

6 Lumbering is the principal economic activity  
7 in the area served by the Pacific Great Eastern Railway.  
8 There has been a substantial increase in lumber production  
9 since 1950 and the following figures indicate the volume  
10 of shipments of lumber during the past few years:

|    |      |   |         |
|----|------|---|---------|
| 11 | 1956 | - | 19,583  |
| 12 | 1957 | - | 17,358  |
| 13 | 1958 | - | 24,032  |
| 14 | 1959 | - | 33,954. |

15 I might also add that these are cars, naturally;  
16 carloads, and each carload you extend roughly at 30,000  
17 to the car, and the total of that would come to over  
18 a billion feet, which is between one-fifth and one-  
19 quarter of the lumber production of British Columbia,  
20 which is really amazing.

21 Geographically the area in which our members  
22 operate is situate in the interior of the province,  
23 although the southern terminus of the railway is at  
24 North Vancouver. However, it connects with the Canadian  
25 National at Prince George which is approximately the  
26 geographical centre of the province. At one point,  
27 namely Clinton, the Pacific Great Eastern Railway is only  
28 35 miles by road from the main line of the Canadian  
29 Pacific Railway at Ashcroft.  
30







1 Since 1953 the rates from points Lillooet  
2 south have been based on an arbitrary over the Vancouver  
3 (Group I) rates and those north of Lillooet on an  
4 arbitrary over Prince George (Group II) rates on  
5 lumber shipments to the prairies and eastern Canada.

6 At the present time the rate structure for  
7 shipments to the United States markets has been much  
8 more favourable than to the Canadian markets, with the  
9 result that by far the largest part of our lumber is sold  
10 in the United States. Because of the competition of  
11 United States railways and the fact that American lumber  
12 rates are generally lower than Canadian lumber rates,  
13 our producers are forced to sell in the United States  
14 markets.

15 Our lumber is sold on a per thousand board feet  
16 basis and we think you get a more realistic picture if  
17 freight rates are stated on the same basis. Our lumber  
18 weighs on an average approximately 2500 pounds so that  
19 each 1¢ difference in the rate makes a 25¢ difference  
20 in price to the producer. The arbitraries on the  
21 Pacific Great Eastern range up to 14 cents or more, which  
22 reduces the return to the producers by \$3.50 per  
23 thousand board feet.

24 The importance of this is further emphasized  
25 when considering our rates to Winnipeg when compared  
26 with rates from Pacific Coast areas. The rate from  
27 Vancouver and Prince Rupert to Winnipeg today is \$1.40,  
28 which is competitive with rates from Washington, Oregon  
29 and California. Our rate from Williams Lake is \$1.48.  
30





1 The result is that a lumber producer from Northern  
2 California can ship his lumber to Winnipeg, which  
3 will pass over a number of different railways, at  
4 approximately \$2.00 per thousand board feet less than  
5 our members.

6 On the other hand, our present rate from 70  
7 Mile Station to Brandon, Manitoba, is \$1.51 (as  
8 against \$1.24 from Prince George and \$1.40 from Van-  
9 couver) as compared to a rate of \$1.53 to New York.  
10 These rates apply via C.N.R. or C.P.R. and in the case  
11 of shipments to New York we are satisfied that the  
12 Canadian Railways will expect to carry the traffic  
13 as far as possible on their own lines.

14 These are only two examples of the rate incon-  
15 sistencies we are faced with when shipping from the P.G.E.  
16 These matters have been discussed with both the C.N.R. and  
17 the C.P.R. for some time past without any success.  
18 Attached hereto are copies of letters dated March 2nd and  
19 6th, 1959, respectively, to the Freight Traffic Managers  
20 of the railways and to the Canadian Freight Association  
21 which set forth the Association's views in respect to  
22 this rate situation.

23 All shipments to the United States involve more  
24 than one railway and no differential is imposed on the  
25 shipper because of this factor. The question of joint  
26 hauls was one that was before the Royal Commission on  
27 Transportation in 1950 and it was strongly urged upon the  
28 Commission at that time that the Canadian railways should  
29 be required to grant the same rate to a shipper regardless  
30







1 of whether or not the haul involved one or two railways.  
2 As a result of the Commission's recommendation the  
3 Railway Act of Canada was amended by adding to Section  
4 341 as subsection 4 the following:  
5

6 "(4) Where it is shown that the rates in the  
7 joint tariff exceed the rates in a single-  
8 line tariff for the same or similar dis-  
9 tances in the same locality, the burden of  
10 proof lies upon the companies to show to the  
11 satisfaction of the Board that there are  
12 greater costs involved in the joint move-  
13 ment, and only in such case shall the rates  
14 in the joint tariff exceed the rates in the  
15 single-line tariff. R.S., c. 170, s. 336;  
16 1929, c. 54, s. 3; 1951 (2nd Sess.) c. 22,  
17 s. 10."

18 It is our recommendation that this prin-  
19 ciple should apply even in cases where the joint haul  
20 is between a railway under the jurisdiction of the  
21 Board of Transport and one that is not, such as the  
22 Pacific Great Eastern.

23 All of which is respectfully submitted.

24 Extract from letter to Freight Traffic Managers  
25 of C.N.R. and C.P.R. dated March 2nd, 1959

26 Re Your Tariff No. W-375-E: We have been  
27 instructed by the P.G.E.-Cariboo Lumber Manufacturers'  
28 Association to make application to you for a revision  
29 of the above tariff in respect to rates applying from  
30 shipping points located on the Pacific Great Eastern





1 Railway.

2 As you are aware, there is a very substantial  
3 production of lumber and lumber products from mills  
4 located on the Pacific Great Eastern. We are advised  
5 at the present time that the shipments amount to 2,000  
6 cars a month or more with the great majority of the  
7 shipments going to United States markets. Practically  
8 none of the shipments go to destinations in Western  
9 Canada.

10 The members of the Association find that they  
11 must ship to American markets rather than to destinations  
12 in Western Canada because of the much more favourable  
13 freight rate structure which applies to American destina-  
14 tions. At the same time we would point out that  
15 American lumber producers on the Pacific Coast as far  
16 south as Northern California are able to ship their  
17 lumber into many of the markets of Western Canada at a  
18 lower rate than mills on the Pacific Great Eastern.

19 On shipments to the United States the C.N.R.  
20 receives a smaller proportion of the total rate than it  
21 would from rates to Western Canada. Shipments to  
22 Western Canada are only possible, however, if the rates  
23 are fixed upon a realistic competitive basis. You will  
24 appreciate that the members of the Association are  
25 anxious to establish markets for their lumber in Western  
26 Canada in order to give them wider marketing possibili-  
27 ties.

28 The lumber produced at the mills on the Pacific  
29 Great Eastern is competitive with lumber produced at other  
30







1 mills located in the interior of British Columbia rather  
2 than with lumber produced in mills located on the Pacific  
3 coast. Further, from its geographical location in the  
4 province the area in question is undoubtedly similar to that  
5 in other interior areas. At one point, namely Clinton,  
6 the Pacific Great Eastern is only approximately 35 miles  
7 distance by road from the main line of the C.N.R. at  
8 Ashcroft. We are further advised that at least two  
9 mills located just south of Clinton do in fact truck their  
10 lumber to Ashcroft for shipment.

11 It would appear from a historical review of  
12 the rates applying from the Pacific Great Eastern that  
13 they have been based upon an arbitrary over Vancouver.  
14 At the same time your special commodity rates now in  
15 effect do indicate that you have given some consideration  
16 to the competitive factors.

17 The Prince George rate for many years has been  
18 established on a basis of equality with Kamloops. When  
19 the general revision of lumber rates from British Columbia  
20 was made in 1954 by agreement between the industry and  
21 the railways, a revision of the grouping between Kamloops  
22 and Vancouver was made, establishing the area between  
23 Trafalgar and Walhachin as an intermediate group between  
24 the coast and Kamloops groups; in other words, the Coast  
25 group was substantially reduced in size. So far as we  
26 recall no similar revision was made in respect to your  
27 main line west of Prince George, although there was in  
28 effect at that time one intermediate group. The members  
29 of the Association are of the opinion that the  
30





geographical location of the Cariboo justifies the establishment of the rates from that area on a basis similar to the rates applying from the group intermediate between Kamloops and the coast, and in no event exceeding the coast rates. The following competitive mileages would appear to justify this opinion:

|               | <u>Regina</u> | <u>Saskatoon</u> | <u>Winnipeg</u> |
|---------------|---------------|------------------|-----------------|
| Vancouver     | 1,108         | 1,087.7          | 1,464.4         |
| Prince George | 969.7         | 811.9            | 1,279           |
| Williams Lake | 1,121.5       | 963.7            | 1,430.8         |
| Boston Bar    | 996.2         | 953.2            | 1,332.6         |

A great deal of consideration has been given by members of the Association to the construction of a rate structure that will be equitable to the railways and at the same time make it possible for the mills located on the Pacific Great Eastern to be competitive with other lumber production from the interior of British Columbia in the markets of western Canada. Further, the members of the Association can see no real reason for the large number of different rates presently applying from this area when in other parts of the province reasonably large grouping origins have been established by the railways. These groupings on your main line appear as follows:

|                        |             |
|------------------------|-------------|
| Yellowhead to Avola    | 139.7 miles |
| Wire Cache to Savona   | 135.0 miles |
| Walhachin to Trafalgar | 129.0 miles |
| Trafalgar to Vancouver | 96 miles    |







and on your north line as follows:

|                     |             |
|---------------------|-------------|
| Yellowhead to Loos  | 126.1 miles |
| Loos to Miworth     | 118.8 miles |
| Miworth to Priestly | 121.2 miles |
| Priestly to Rupert  | 337.0 miles |

As against this, the total mileage of the Pacific Great Eastern from Prince George to Vancouver of 465.9 miles has 22 different rate zones.

After giving careful consideration to all these factors we make the following request as to the revision which we consider will be reasonable and equitable to the shippers and to the railways:

1. That the shipping points on the Pacific Great Eastern be divided into three groups as follows:  
Group 1 - to extend from Prince George to Macalister, a distance of 130 miles;  
Group 2 - to extend from Soda Creek to Fountain, a distance of 170 miles; and  
Group 3 - to extend from Lillooet to Vancouver, a distance of 168 miles.
2. That rates be established from shipping points in Group 1 which are 6 cents over the Prince George rate, from shipping points in Group 2 which are 12 cents over the Prince George rate, and from shipping points in Group 3 which are the same as the rates presently applying from the coast group. This is based on our submission that the rates to be applied from the group should be based upon the Prince George rate as





1 a minimum and the coast rate as a maximum.

2 The present differential between Prince George  
3 and the coast is 20 cents.

4 The members of the Association would be pleased  
5 to discuss their proposal with you in Vancouver at any  
6 time that can be arranged. They do feel that there is  
7 an urgency about this matter and they request that such  
8 a meeting be arranged as soon as possible since they  
9 wish to receive your final decision on this matter not  
10 later than March 15th next.

11 We are forwarding a copy of this letter to the  
12 Pacific Great Eastern Railway Company and also to the  
13 secretaries of the other lumber associations in British  
14 Columbia. We are given to understand that there  
15 would be no objection on behalf of other lumber associa-  
16 tions to the establishment of the rate schedule above  
17 set forth, although we have not had an opportunity of  
18 formally discussing the same with those associations.

19 We are also making a similar application to the  
20 Canadian Pacific Railway Company in respect to their  
21 tariff No. W-200-B, and to the Canadian Freight Associa-  
22 tion in respect to C.F.A. tariff No. 113-B.

23  
24 Extract from Letter to Canadian Freight Association  
25 dated March 6th, 1959

26 Re: Canadian Freight Association Tariff  
27 No. 113-B: We have been instructed by the P.G.E.-  
28 Cariboo Lumber Manufacturers' Association to make  
29 application to you for the revision of the above tariff  
30 in respect to rates applying from shipping points







1 located on the Pacific Great Eastern Railway to Eastern  
2 Canada.

3 As you are aware, there is a very substantial  
4 production of lumber and lumber products from mills  
5 located on the Pacific Great Eastern. We are advised  
6 at the present time that shipments amount to 2,000 cars  
7 a month or more, with the great majority of the shipments  
8 going to United States markets.

9 The members of the Association are compelled  
10 to ship to American markets rather than to destinations  
11 in Eastern Canada because of the much more favourable  
12 freight rate structure which applies to American destina-  
13 tions. At the same time we would point out that American  
14 lumber producers on the Pacific Coast as far south as  
15 Northern California are able to ship their lumber into  
16 the markets of Eastern Canada at a lower rate than mills  
17 on the Pacific Great Eastern.

18 On shipments to the United States the Canadian  
19 Pacific Railway Company and the Canadian National Rail-  
20 ways receive a smaller proportion of the total rate than  
21 they do from rates to Eastern Canada. Shipments to  
22 Eastern Canada are only possible, however, if the rates  
23 are fixed upon a realistic competitive basis. You will  
24 appreciate that members of the Association are anxious  
25 to establish markets for their lumber in Eastern Canada  
26 in order to give them wider marketing possibilities.

27 The lumber produced at the mills on the  
28 Pacific Great Eastern is competitive with lumber produced  
29 at other mills located in the interior of British Columbia  
30





1 rather than with lumber produced in mills located on the  
2 Pacific Coast. Further, from its geographical location  
3 in the province, the area in question is undoubtedly simi-  
4 lar to that in other interior areas. At one point,  
5 namely Clinton, the Pacific Great Eastern is only  
6 approximately 35 miles distance by road from the main  
7 line of the C.P.R. at Ashcroft. We are further advised  
8 that at least two mills located just south of Clinton  
9 do in fact truck their lumber to Ashcroft for shipment.  
10

11 It would appear from a historical review of  
12 the rates applying from Lillooet and north on the  
13 Pacific Great Eastern that they were based originally  
14 upon an arbitrary over Vancouver (Group 1), and since  
15 1953 on an arbitrary over Group 2, with maxima based  
16 on Group 1. It would further appear that south of  
17 Lillooet they have always been based upon an arbitrary  
18 over Group 1 rates. During recent years the base  
19 rates have been increased from time to time on the same  
20 basis as American lumber rates and the arbitraries  
21 themselves have been increased in accordance with general  
22 freight rate increases granted in Canada. This in itself  
23 is, we submit, most unfair to shippers on the Pacific  
24 Great Eastern.

25 The Prince George rate to Eastern Ontario,  
26 Montreal and Quebec is established on the basis of  
27 equality with Kamloops. The members of the Association  
28 are of the opinion that the geographical location of  
29 the Cariboo justifies the establishment of rates from  
30 that area on the basis of the Prince George rate as a







1 minimum and the coast rate as a maximum. These rates,  
2 we are advised at the present time, are:

|                             |                    |
|-----------------------------|--------------------|
| 3 Prince George to Toronto  | 1.53 $\frac{1}{4}$ |
| 4 Prince George to Montreal | 1.58               |
| 5 Vancouver to Toronto      | 1.58               |
| 6 Vancouver to Montreal     | 1.60               |

7 The following competitive mileages justify  
8 the opinion of the Association members:

| 9                | <u>Toronto</u> | <u>Montreal</u> |
|------------------|----------------|-----------------|
| 10 Vancouver     | 2,673.6        | 2,823.4         |
| 11 Prince George | 2,397.8        | 2,401.4         |
| 12 Williams Lake | 2,548.7        | 2,553.2         |
| 13 Boston Bar    | 2,541.8        | 2,691.6         |
| 14 Burns Lake    | 2,548.2        | 2,551.8         |

15  
16 A great deal of consideration has been given  
17 by members of the Association to the construction of a  
18 rate structure that will be equitable to the railways  
19 and at the same time make it possible for the mills  
20 located on the Pacific Great Eastern to be competitive  
21 with other lumber production from the interior of British  
22 Columbia in the markets of Eastern Canada. Further,  
23 the members of the Association can see no real reason  
24 for the large number of different rates presently  
25 applying from this area when in other parts of the pro-  
26 vince reasonably large grouping origins have been estab-  
27 lished by the railways.

28 After careful consideration of all these  
29 factors we make the following request as to the revision  
30 which we consider will be reasonable and equitable to the





shippers and to the railways.

1. That the shipping points on the Pacific Great Eastern be divided into three groups as follows:

Group 1 - to extend from Prince George to Alexandria, a distance of 107.8 miles;

Group 2 - to extend from Marguerite to Kelly Lake, a distance of 156.4 miles;

Group 3 - to extend from Moran to North Vancouver, a distance of 183.2 miles.

2. That a rate of \$1.55 be established from shipping points in Group 1 to Toronto and a rate of \$1.58 to Montreal:

That a rate of \$1.56 be established from shipping points in Group 2 to Toronto and a rate of \$1.59 to Montreal;

That a rate of \$1.58 be established from shipping points in Group 3 to Toronto and a rate of \$1.60 to Montreal.

The members of the Association would be pleased to discuss their proposal with the representatives of your Association in Vancouver at any time that can be arranged. They do feel that there is an urgency about this matter and they request that such a meeting be arranged as soon as possible since they wish to receive your final decision on this matter not later than April 15th next.







1 We are forwarding a copy of this letter to  
2 the Pacific Great Eastern Railway Company and also to  
3 the secretaries of the other lumber associations in  
4 British Columbia. We are given to understand that  
5 there would be no objection on behalf of other lumber  
6 associations to the establishment of the rate schedule  
7 above set forth, although we have not had an opportunity  
8 of formally discussing the same with those associations.

9  
10 We are also making a similar application to the  
11 Canadian National Railways in respect to their tariff  
12 No. W-375-E, and to the Canadian Pacific Railway Company  
13 in respect of their tariff No. W-200-B.

14 Q. Have you any further comments which you  
15 would like to make, Mr. Battle?

16 A. Yes, with the Chairman's permission.

17 Our brief is very short, as you have noticed,  
18 because most of the points on what the actual freight  
19 rate is were covered by the British Columbia Manu-  
20 facturers' Association, and we heartily support their  
21 submission, but what we are mainly concerned with is  
22 our competitive position, and we are also concerned  
23 with the various areas of the Pacific northwest that  
24 have produced the same grades of lumber and which have  
25 sold it in the same places that we sell our own lumber.

26 We want to be in a competitive position.  
27 So long as we have a tariff -- you might say a wall  
28 erected against us of up to 14 cents that we are ex-  
29 cluded from selling lumber in eastern Canada and in  
30 the prairie provinces, and ninety or ninety-five per





1 cent of our lumber is going to the United States, which  
2 is fine today but it might not be tomorrow.

3 We all remember the Smoot-Hartley tariff,  
4 that put British Columbia out of business overnight by  
5 putting a duty of \$4 a thousand where we had a duty of  
6 \$3.50 against our lumber in Canada, so you can see that  
7 if anything happened to the American market what would  
8 happen to us.  
9

10 Only three weeks ago I returned from Ottawa  
11 on the question of FHA Standards in grade marketing;  
12 the entire Standards Committee met and we were able to  
13 take it up, but up until the time we were there lumber  
14 from Canada which came into FHA projects in the United  
15 States were going to be absolutely excluded, which would  
16 have meant that we would have no alternative market and  
17 the people on the PGE would have had that wall against  
18 them.

19 What we want to know is very simple; why is  
20 it that we are unable to obtain competitive rates from  
21 points on the PGE to the prairies and eastern provinces?

22 Here is an example: we go to the PGE and ask  
23 for a substantial reduction and they tell us they have  
24 nothing to do with rates as they are published by the  
25 Canadian Pacific and the Canadian National and the  
26 Canadian Freight Association. We go to the Canadian  
27 Pacific and the Canadian National and ask them for a  
28 substantial reduction and requesting meeting with them.  
29 Now, even though the PGE must have over a fifth of the  
30 lumber produced in British Columbia, to my knowledge,







1 this meeting has never come off; they never offered to  
2 meet with us, and I am an official of the Association  
3 and I would know these things if they have.

4 Well, the average person would think, "Well,  
5 if these people will not deal with you, why don't you  
6 penalize them?" Or, you might say to the Canadian  
7 Pacific the next time their man comes around, "We are  
8 getting nowhere with you, we are getting a runaround;  
9 we are not going to order any more of your cars, we  
10 are going to order all Canadian National cars," and we  
11 do that for two weeks, maybe, and then the next morning  
12 we come down to open up the mill and every siding is  
13 filled with Canadian Pacific cars. Well, naturally  
14 you wonder why these things happen; you didn't order  
15 these cars, and you tell them to take them out and they  
16 say, "Well, there are no other cars available", and so  
17 you have to lay off your loading crews and close the mill  
18 or use the cars they give you, and the explanation for  
19 that is, apparently, that there is some deal on between  
20 the PGE and the Canadian Pacific and the Canadian National  
21 that they will move the same number of each railway's  
22 cars.  
23

24 THE CHAIRMAN: You are talking of the Duoply?

25 THE WITNESS: They have moved 1,000 Canadian  
26 Pacific cars, and some times within a certain time, a  
27 specified time, they make them up with the Canadian  
28 National cars, so we are a captive market; nobody is  
29 paying any attention to us and we can't find out why it  
30 is.





1 THE CHAIRMAN: It is what the prairies refer  
2 to as a squeeze?

3 THE WITNESS: Exactly, and we don't like this  
4 and we would like -- if you ship and produce one-fifth  
5 or more of the lumber, we think that the railroad should  
6 come around and make our acquaintance. That is not  
7 unreasonable, and none of these people from Winnipeg,  
8 or wherever these rates are made, have ever come near  
9 my office, and the heads of these railroads here and  
10 the vice-presidents that are here really have nothing  
11 to do with it. You can't put them on the spot.

12 THE CHAIRMAN: Your office is where?

13 THE WITNESS: Right here at Vancouver at 580  
14 Hornby Street.

15 MR. BRAZIER: Might I say before Mr. Cumming  
16 starts, that when you look at the letters which are  
17 attached to the brief you will see on the last page there  
18 it is stated, "The members of the Association would be  
19 pleased to discuss their proposal with representatives  
20 of your Association in Vancouver at any time that can  
21 be arranged. They do feel that there is an urgency  
22 about this matter and they request that such a meeting  
23 be arranged as soon as possible since they wish to  
24 receive your final decision on this matter not later  
25 than April 15th next."

26 I think that is one of the references that  
27 Mr. Battle had in mind.  
28  
29  
30







1  
2 CROSS-EXAMINATION BY MR. CUMMING:

3 Q. Apart from the question of meetings, did  
4 you get any written reply to those letters you filed?

5 A. We got a written reply, and as I recall  
6 it was about three pages, and what it amounted to is  
7 that they had two months previously, or three months  
8 previously, increased our rates 15 per cent over what  
9 they were, and then -- I don't know -- the Canadian  
10 Government gave them a subsidy or something, and what  
11 we got out of all this was they said, "We will take  
12 off that 15 per cent," and so they published the rates  
13 right back to where the 15 per cent went on. That was  
14 Eastern Canada only. Mr. Drage here is our expert  
15 on freight rates.

16 Q. What I was going to suggest in order  
17 to complete the record that perhaps we might file a  
18 copy of the reply that you did get.

19 A. You will find it on file, but it was no  
20 good to us, and no meeting was suggested.

21 Q. No meeting resulted?

22 A. No.

23 Q. Incidentally, sir, how many mills are  
24 members of your Association?

25 A. That is very hard to say today for one  
26 reason only; we had 36 before I went to Ottawa two  
27 weeks ago, and about that, it is mandatory for American  
28 shipments to the United States to be grade market.  
29 Everyone wants to join our Association, and we say, "You  
30 come and join because our market is the only one that





1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

is accepted," and I just haven't heard since I got  
back, but I imagine we have 60 members now.

-

-

-

-

-

-







1 Q. Your membership will soar as a result  
2 of that?

3 A. Yes.

4 Q. On the second page of your brief you give  
5 some figures showing the shipments of lumber from your  
6 area for the years 1956 to 1959. Those are total  
7 figures. Can you tell us how those shipments break down  
8 in the three marketing areas you mention at the top of  
9 the page-- that is, as between the prairie provinces,  
10 Eastern Canada and the central states of the United  
11 States?  
12

13 A. Those figures are not available, to be  
14 exact, because the mills shipping from Prince George --  
15 they can truck from points on the PGE to Prince George  
16 and get out on the Prince George rate. So, just that  
17 little bit there -- the percentage that goes to Canada  
18 is higher, but of our members that go as far as Cotwood,  
19 not more than five per cent would go to Canada.

20 Q. That is either to the prairies or the  
21 eastern market?

22 A. That is correct. Ninety-five per cent  
23 goes to the United States because it is the market that  
24 pays the most money and they don't have a tariff against  
25 us of \$3.50.

26 Q. You talk about your competitive situation;  
27 I take it your principal competition is from the American  
28 mills in the northwest states?

29 A. And the coast mills here.

30 Q. In British Columbia?





1  
2 A. Yes. The lumber business is very funny:  
3 it is not like refrigerators and automobiles where people  
4 add up all their costs and say, "It costs so much and we  
5 will add on a profit." We are told in the lumber  
6 business what we are going to get for our lumber. People  
7 in England tell us what they are going to pay because  
8 the Russians will deliver it for that, and we are told  
9 in Oskosh, or anywhere else, and we have to figure back-  
10 wards. We can't take our costs and add on a profit.  
11 The customer does not pay the freight bill. The lumber  
12 people pay the freight bill.

13 MR. SINCLAIR: What was that?

14 THE WITNESS: All lumber is bought on a de-  
15 livered basis, and the customer couldn't care less  
16 whether the freight rate is three-quarters of the total  
17 or not.

18 MR. CUMMING: Q. Do you say that applies to  
19 the whole of the freight, or only the increases in the  
20 freight that have been experienced from time to time?

21 A. It applies to the whole of the freight.  
22 All lumber is sold on a delivered basis, and when a man  
23 tells you he will pay you \$70 or \$100 for lumber, the  
24 first thing you deduct is the best freight rate you can  
25 get to that point.

26 Q. In connection with the recommendation that  
27 you make that there be some requirement relating to the  
28 joint through rates with this situation that exists here  
29 -- the PGE not being subject to the control of the Board  
30 of Transport Commissioners and the other Canadian carriers







1 being under that control -- would you anticipate, or do  
2 you think there may be any difficulty arise in this way:  
3 would your suggestion result in putting the railway  
4 which is subject to the Transport Board, to some extent,  
5 at the mercy of the railway which is not subject to the  
6 Board's jurisdiction?  
7

8 A. The answer to that is very definitely  
9 "No", because the railroad is dealing with the American  
10 carriers and the Canadian carriers right now on the same  
11 basis in the United States, and they won't come into  
12 Canada because they have a captive market on the PGE.

13 Q. You don't anticipate any difficulty, as  
14 a matter of principle, in working this out?

15 A. No; it is going every day and has been for  
16 years.

17 CROSS-EXAMINATION BY MR. McDONALD:

18 Q. Just a few questions: your mills are  
19 located between what points on the PGE?

20 A. Well, for reasons I stated right now, I  
21 don't know, but up until two weeks ago they were from  
22 Cotwood to Devine.

23 Q. Cotwood:

24 A. That is halfway between Quesnel and  
25 Prince George; and Devine is 83 miles from Squamish,  
26 on the southern end.

27 Q. Well, there is a considerable haul on the  
28 PGE before you get to the Canadian National or the  
29 Canadian Pacific?  
30

A. That is correct.





1 Q. Then, at the southern part, I understand  
2 the rates are fixed on the Vancouver rate plus an arbi-  
3 trary for the haul over the PGE?

4 A. That is correct.

5 Q. And at the northern end of the line they  
6 are fixed on the Prince George rates plus an arbitrary?

7 A. That is right.

8 Q. Have you taken this up with the PGE --  
9 a discussion?

10 A. We certainly have and whenever we get the  
11 answer it is, "We don't publish any rates. The Canadian  
12 National publishes rates and the Canadian Pacific, and  
13 the Canadian Freight Board publishes them. Take your  
14 problem to them."

15 Q. Well, since you are on their line, I  
16 thought you would have had them initiate it for you.  
17 There is, on the second page of your letter, where you  
18 refer to the increase in the arbitraries -- that was  
19 taken off after this letter was written?

20 A. It was only taken off to Eastern Canada,  
21 not to the prairie provinces, and they only took off  
22 what they added on.

23 Q. Yes, but they brought it back to where it  
24 was before -- I meant the increase was taken off?

25 A. The increase was taken off to Eastern  
26 Canada only; not the prairies.

27 Q. Well, I would suggest that although you  
28 brought this matter before the Commission that it is a  
29 matter that the PGE and the two railways concerned and  
30







1 your Association have to try and iron out. I think  
2 there are other associations interested here: if any  
3 change is made in your rates it may affect the com-  
4 petitive position of the coastal people?

5 A. May I suggest, Mr. Chairman, this is the  
6 same type of suggestion we have had ever since I have  
7 been in business -- from the PGE. If counsel for the  
8 CNR would say, "I will go back and see those boys in  
9 Winnipeg come out and talk with the people who produce  
10 over one-fifth of the lumber in British Columbia . . ."

11 Q. Well, we have one of them right here  
12 today, and I am sure he will be glad to discuss it with  
13 you.  
14

15 A. That is what I don't want. I want him to  
16 come out with his counterpart in the PGE and have a  
17 properly constituted going into of the problem.

18 Q. I can only answer for the Canadian  
19 National, and we will certainly have a discussion.

20 MR. BRAZIER: Mr. Chairman, Mr. McDonald  
21 brought up a question that it may affect other lumber  
22 producers in the province, and that is one of the  
23 problems -- that the various areas are all in competi-  
24 tion with one another, but attention was drawn to that  
25 at the time and copies of the letter were forwarded to  
26 the other lumber associations, and we were given to  
27 understand there was no objection from the other lumber  
28 associations if the railways would grant the concessions  
29 which were requested.  
30





1 CROSS-EXAMINATION BY MR. SINCLAIR:

2 Q. Mr. Battle, you go to the PGE and they  
3 say they have nothing to do with freight rates; is that  
4 right?

5 A. I go to the PGE and ask for a reduction  
6 in the freight rate to the prairie provinces and eastern  
7 Canada, and they tell us they have nothing to do with  
8 publishing freight rates, that those are published by  
9 the Canadian Pacific and the Canadian National.

10 Q. If the PGE wanted to take your lumber and  
11 turn it over to the Canadian Pacific and Canadian National,  
12 say, at Vancouver, and let the Vancouver rate apply to  
13 points in the prairies, they could do that, couldn't  
14 they?

15 A. How would they live?

16 Q. That is not the question I asked you.  
17 They could do that, couldn't they?

18 A. Yes, they could.

19 Q. Well, now ---

20 A. But they wouldn't be making one cent pro-  
21 fit, and they can't do.

22 Q. When you go to the PGE and tell them you  
23 have this problem of having a through rate at a certain  
24 level, they tell you, "We have got nothing to do with  
25 it"; do you believe them?

26 A. I must believe them because I have nothing  
27 to the contrary from the Canadian Pacific railroad when  
28 I have asked them and written letters. If they told me  
29 the truth, I would go back to the PGE.  
30







1 Q. Why don't you, as a suggestion, tell the  
2 PGE that they should establish proper relationships with  
3 their rates so that you can move the traffic? Have you  
4 ever tried that -- write them a letter?

5 A. We have done that.

6 Q. What answer did you get from the PGE?

7 A. As I recall, no answer in writing.

8 Q. Then, you can't file a letter. Now, one  
9 other question: are you certain, Mr. Battle, that the  
10 people, for instance, in Western Canada who get lumber --  
11 are you certain they don't pay the freight rates on that  
12 lumber?

13 A. This is just quibbling.

14 Q. Let me tell you why I am asking the  
15 question: because they say they do; they are very definite  
16 on the fact that they do.

17 THE CHAIRMAN: Everybody pays the freight --  
18 the producer, the consumer, the processor; the railways  
19 should be rich.

20 MR. SINCLAIR: Q. But you would not agree  
21 that the people, for instance, in the prairies, pay  
22 the freight; you say you pay it?

23 A. We have sold that article at an agreed  
24 price delivered in Winnipeg.

25 Q. That is right.

26 A. Now, since we have agreed to accept \$100  
27 for the article in Winnipeg, that naturally includes the  
28 freight. We pay the freight and charge it back to him,  
29 maybe.  
30





1 Q. And when he ships you something, does  
2 he charge the freight back to you?

3 A. I don't think I should have said we  
4 charge it back to him. We have sold it for \$100  
5 "period", and we don't charge him back anything. We  
6 just pay the freight, or he pays it for our account;  
7 it doesn't matter who pays it. However, we agreed to  
8 sell the article for \$100. If the freight is \$75 or  
9 \$25, it is no concern of the man in Winnipeg.  
10

11 Q. It is no concern of his?

12 A. Not at all.

13 Q. Well, this Commission has heard that the  
14 people in the prairies pay the freight on everything they  
15 ship and on everything they receive, and there are other  
16 people who disagree with them, and you would be one of  
17 those people?

18 A. Well, it depends on what business you are  
19 talking about. In the lumber business, without exception,  
20 you sell lumber delivered at that man's site, and that  
21 includes the freight.

22 MR. SINCLAIR: Thank you, Mr. Battle.

23 BY COMMISSIONER ANSCOMB:

24 Q. I am only going to ask you this because I  
25 just feel cantankerous: if you say you give a man a price  
26 of \$100 landed in Winnipeg, you say that you pay the  
27 freight; now, assuming that the freight was \$25, and you  
28 gave him a price of \$75 f.o.b. your plant, who pays the  
29 freight?  
30







1 A. I don't give him a price of \$75.

2 Q. But, suppose you did: it would mean the  
3 difference between your price and the freight?  
4

5 A. No, if I gave him that price of \$75  
6 f.o.b. the plant -- if I did that -- I would then be  
7 losing two or three dollars, because we are figuring on  
8 a certain weight on that lumber, and weights on lumber  
9 are not the same. Every mill, the lumber varies, and  
10 these railroads want their freight on whatever the  
11 actual car weighs.

12 Q. Well, let me put it another way: let us  
13 assume the price landed in Winnipeg is \$100 and you  
14 want to give him that rate landed there, but you decide  
15 that you would not do your business that way -- you  
16 would give him a price at your mill -- whatever it is  
17 there -- whatever you want -- and he pays the freight,  
18 but the final price to him is \$100: who pays the  
19 freight?

20 A. Well, we are, because we guaranteed the  
21 \$100.

22 Q. You guaranteed what \$100?

23 A. We sold the article at \$100. We don't  
24 sell at the mill.

25 Q. Well, why don't you?

26 A. We have to use a standard weight for  
27 lumber, and that standard weight is either over or under  
28 the actual weight of the lumber, but in order to put it  
29 in Winnipeg at the price that the customer knows what  
30 he is paying, we have to sell it at \$100 in Winnipeg.





1 If he bought it at \$75 at our plant, he doesn't know  
2 whether that freight is going to be \$25, \$28, \$29 --  
3 or, possibly, even \$22.

4 Q. Because of the weight?

5 A. Because of the variance in the weight.  
6 The customer wants to know it is going to be \$100.

7 Q. And you have settled \$100 because that is  
8 in competition with other shippers or other suppliers?

9 A. He would not buy it from me at \$100  
10 if he could get it at \$99.99 anywhere else.

11 Q. Well, that is a perfectly human trait?

12 A. That is right.

13 Q. Despite all the difficulties of the rail-  
14 ways, your business has increased 71 per cent in four  
15 years?

16 A. This is correct, but let us not forget  
17 that in those four years the PGE has expanded right to  
18 the south into Vancouver; they have gone from Quesnel  
19 to Prince George and all the way up to Dawson Creek  
20 and this increase is accounted for entirely by the in-  
21 crease in mileage and the territory they can reach.  
22 Our business has not increased -- taking individual  
23 mills that were there before.

24 Q. Taking what?

25 A. Taking a mill that was operating in  
26 Williams Lake in 1956 -- well, today they would be ship-  
27 ping about the same amount of lumber as they did in 1956.

28 Q. But there are more mills?

29 A. This great increase you see here is from  
30







1 brand new mills further up the line -- 100 miles or  
2 200 miles away.

3  
4 BY COMMISSIONER MANN:

5 Q. In relation to what Mr. Anscomb has dis-  
6 cussed with you, who sets the price at Winnipeg?

7 A. The price of lumber?

8 Q. Yes. How is it determined?

9 A. It is determined by, say, a retailer  
10 wants to buy a carload of lumber at Winnipeg, he calls  
11 up six or seven wholesalers and gets their price, which  
12 may be \$100 or \$102, or another one may be \$99, and if  
13 it is stock that is reliable he buys it from the lowest  
14 price that he gets. Competition sets the price in  
15 Winnipeg and nothing else -- supply and demand.

16 Q. This would be competition between western  
17 producers?

18 A. Certainly not between the PGE producers.  
19 I am excluded from Winnipeg; there is a fence around it.  
20 It also comes in from Oregon and Washington.

21 Q. You are not in competition with northern  
22 Ontario for spruce?

23 A. There is no competition, really. They  
24 only want to buy long lengths from us -- something they  
25 can't get there.

26 Q. You mentioned your figures on page 2  
27 are carloads which you told us were figured in relation  
28 to 30,000 pounds a car?

29 A. No, 30,000 board measure.

30 Q. Oh, I am sorry. What is your carload





1 minimum weight?

2 A. It varies to every place -- between fifty  
3 and sixty thousand pounds.

4 MR. PLATT: I might just comment on who pays  
5 the freight: when I buy lumber I go out to the mill and  
6 load the stuff on my truck and truck it home, and nobody  
7 has to pay it.

8 THE WITNESS: I would like to get a truck like  
9 yours that doesn't have depreciation and runs on air.

10 THE CHAIRMAN: Well, Mr. Battle, thank you  
11 very much. If we can get you and your Association and  
12 the C.P.R. and C.N.R. and the P.G.E. together, we will  
13 feel we have not come here in vain.

14 THE WITNESS: Thank you, Mr. Chairman.

15  
16 -

17  
18  
19 -

20  
21  
22 -

23  
24  
25 -







1 THE CHAIRMAN: All right, Mr. Brazier.

2 MR. BRAZIER: Mr. Chairman and members of  
3 the Commission, the next brief is to be presented on  
4 behalf of the Vancouver Grain Exchange. Mr. Vernon  
5 Lester, one of the members of the Exchange and a member  
6 of the council, will present it on behalf of the Ex-  
7 change.  
8

9 VERNON LESTER, called

10 DIRECT EXAMINATION BY MR. BRAZIER:

11 Q. Would you please read the brief, Mr.  
12 Lester?  
13

14 A. Mr. Chairman and members of the Commis-  
15 sion, before reading this brief I would just like to  
16 say that it is a very brief one. The Vancouver Grain  
17 Exchange is not submitting any weighty arguments. They  
18 are attempting to draw to your attention certain points  
19 which they think are important.

20 This brief is submitted on behalf of the  
21 Vancouver Grain Exchange, which is affiliated with the  
22 Vancouver Merchants Exchange. The members of the  
23 Grain Exchange are the companies operating grain ele-  
24 vators on the Pacific coast, exporters, and others  
25 connected with the trade. There is a total of ten  
26 elevators on the Pacific coast located as follows:

27 Vancouver 7  
28 New Westminster 1  
29 Victoria 1  
30 Prince Rupert 1

The importance of the grain export movement  
from the Pacific coast is indicated by the following





1 table showing the total exports for the period 1952 to  
2 1959:

3 Crop year ending July 31, 1952 - 115,788,073 bushels

4 1953 - 125,193,661 "

5 1954 - 134,227,664 "

6 1955 - 98,800,402 "

7 1956 - 114,076,526 "

8 1957 - 138,322,028 "

9 1958 - 174,896,770 "

10 1959 - 160,908,876 "

11 1,195,689,095 bushels

12 The grain exported from the Pacific Coast in  
13 1958/59 went principally to the following countries:

14 Japan - 32 % approximately

15 U. K. - 31 % "

16 Germany - 8.1% "

17 Netherlands - 5 % "

18 S. Africa - 4.9% "

19 Belgium - 2.9% "

20 C & S America - 1.5% "

21 Peru - 1.2% "

22 Wheat, oats and barley, which are controlled  
23 by the Canadian Wheat Board, are made available to  
24 the trade in Vancouver by the Board on an f.o.b. basis,  
25 and it is the function of the exporters to seek out  
26 through their agents in various foreign countries mar-  
27 kets for these grains. The exporters are responsible  
28 for securing ocean freight and sell, in most cases, on the  
29 basis of a delivered price in the foreign port. Other  
30







1 grains, such as flax, rye and rape seed are merchandised  
2 in the open market and made available to exporters in  
3 Vancouver on an f.o.b. basis by the elevator companies.  
4 The elevator companies also act as warehousemen for  
5 the Wheat Board, receiving shipments from prairie points,  
6 cleaning the grain, drying when necessary, and preparing  
7 it so that it meets the export standard required by the  
8 Canadian Government Inspection Service.  
9

10 The price paid to farmers for wheat, oats and  
11 barley by the Board is based on an initial payment price,  
12 less the export rail rate and handling charges. Any  
13 increase in the export rail rate would therefore be  
14 charged directly to the farmer. The f.o.b. Vancouver  
15 price is determined by the world price of grain after  
16 allowing for the cost of ocean shipping from Vancouver  
17 to the world markets. The ocean shipping rates are  
18 subject to wide fluctuations and in recent years have  
19 varied from a low of about \$6 to a high of about \$20  
20 per long ton. These rates vary all over the world and  
21 are based on demand for available tonnage.

22 If the f.o.b. price were raised because of any  
23 increase in the rail rates, Canadian grains would not be  
24 competitive in the world markets and would bring about,  
25 in our opinion, a disastrous decline in the export of  
26 grain.

27 On the other hand, a reduction in the return  
28 to the farmer, if he was required to absorb any increase,  
29 would be equally disastrous to him and would have  
30 serious economic consequences to the whole Canadian





1 economy.

2 From the reports our members have received we  
3 gather that the railways claim they are losing money  
4 on the handling of grain at export rates. We assume  
5 that this Commission will place the onus of proof in  
6 this respect on the railways and will undertake to seek  
7 out any other traffic which might not be paying its  
8 proper transportation costs. We are of the opinion  
9 that only by examining the whole situation can a proper  
10 solution be reached. We strongly protest any attempt  
11 to place the grain rates in a special compartment and to  
12 ignore the rest of the freight rate structure.

13 We further agree with the submissions made to  
14 this Commission that if public funds are to be used to  
15 assist the movement of freight, such a subsidy should  
16 not be earmarked for any particular commodity, but  
17 rather be paid for the benefit of the railways general-  
18 ly.

19 Finally, there are two points which we wish to  
20 draw to your attention:

- 21 (1) Although rape seed is considered a grain  
22 by the Board of Grain Commissioners and is  
23 handled in a similar manner to flax, rye  
24 and other grains merchandised in the open  
25 market, it is not considered a grain by the  
26 railways in so far as the application of  
27 rail rates is concerned. We understand  
28 that this point is being raised in a  
29 hearing before the Board of Transport  
30







Commissioners and therefore we will not elaborate further in this brief.

- (2) There is one important difference between the situation at Fort William and Vancouver that we respectfully bring to your attention. Since the rate on all grain to Fort William, whether for export or domestic use, is charged at the export rate, exporters operating from Fort William can export grain from there to United States destinations without any additional rail charge. On the other hand, if an exporter in Vancouver wishes to export grain from Vancouver to a United States destination, even if it is exported by vessel, he must first pay the difference between the export and the domestic rate since, under the tariffs applying to Vancouver, the United States is not classified as an export country. The consequence is that while considerable quantities of grain move from Fort William to the United States markets, the opportunity of reaching the United States markets on the Pacific Coast is denied to the trade carrying on its business in Vancouver. If Vancouver were placed in the same position as Fort William we are satisfied that a very considerable trade in export grain would result to the benefit not only of the Pacific





1 Coast ports but also for the benefit of the  
2 farmers of the prairie provinces.

3 The attached table of shipments of grain  
4 to the U.S.A. clearly indicates the effect of this  
5 rate discrimination. The same table also shows that in  
6 respect to screenings on which we do not pay the  
7 domestic rate at Vancouver before exporting to the  
8 U.S.A., we are able to sell them in that market.

9 MR. BRAZIER: Mr. Chairman, I wonder if  
10 that table might be marked as Exhibit 118.

11 THE CHAIRMAN: Exhibit 118.

12  
13 ---EXHIBIT NO. 118: Table showing domestic ship-  
14 ments of grain and screenings  
15 to U.S.A., crop years 1954-1958.

16 MR. BRAZIER: Q. Mr. Lester, would you  
17 like to comment on the table further?

18 A. There is just one point I would like to  
19 bring to your attention. The exports of oats from  
20 Vancouver to the United States appear to be quite a  
21 considerable volume, but for statistical purposes the  
22 product known as mixed feed oats is classified as  
23 oats, whereas, as far as the trade is concerned it is  
24 a screening, and does not take the domestic rate.

25 Therefore, the export of oats shown on this  
26 table is increased by the quantity of mixed feed oats  
27 included in that table.

28 Q. That table is prepared by the Dominion  
29 Bureau of Statistics for the grain trade of Canada?

30 A. Yes.







1 Q. Is there anything you would like to  
2 add to your brief?

3 A. No, Mr. Brazier.  
4

5 CROSS-EXAMINATION BY MR. CUMMING:

6 Q. I have two or three questions, Mr.  
7 Chairman. In the table, Mr. Lester, on the first page  
8 showing the export movements to the Pacific Coast, I  
9 note there are some marked fluctuations. For instance,  
10 a very substantial falling off between 1954 and 1958,  
11 and then, further down, a marked increase between  
12 particularly 1957 and 1958. What is the explanation  
13 for those fluctuations up and down?

14 A. I think primarily the explanation is the  
15 competitive position of Vancouver as compared to other  
16 outlets of Canadian grain. If ocean freight rates  
17 are in a depressed condition, we are better able to  
18 compete with the St. Lawrence, Churchill and now direct  
19 lake shipments. If the level of ocean freight rates  
20 is high, it is normally more difficult for us to compete.  
21

22 Q. I see. The export demand, then, I  
23 take it, is -- well, certainly the export movement to  
24 the Pacific Coast is, as you indicate, sensitive to the  
25 fluctuations in ocean freight rates?

26 A. That is correct.

27 Q. Would they have a greater or a lesser  
28 impact than any change in the rail rates to tidewater?

29 A. In so far as our ability to compete with  
30 other Canadian ports, the raising of freight rates  
would maintain the same position between Vancouver and





1 other points, but it would drastically affect our  
2 ability to compete with other Pacific Coast ports, or  
3 Australian wheat or Australian oats and barley. And  
4 I should have elaborated on this when you asked me for  
5 the reason for the variation. There is also a varia-  
6 tion in world demand, depending on whether or not  
7 Canadian prices are competitive in the world market.  
8 We must meet competition in Vancouver in barley grain,  
9 in California and the Pacific northwest -- the com-  
10 petition of wheat grain in those countries, and also  
11 when we are shipping to Japan, the United Kingdom, the  
12 competition of grains from all parts of the world.

13  
14 Q. You say further down on the second page  
15 of your brief that there is a movement of considerable  
16 quantities of grain through Fort William to the United  
17 States. Have you any figures or approximate figures  
18 that you can give us which would give us an indication  
19 of that volume?

20 MR. BRAZIER: That is all set forth in the  
21 table.

22 MR. CUMMING: That is all set forth in the  
23 table, I see.

24 Q. Your recommendation is that the rates  
25 be adjusted so that Vancouver be on a parity with Fort  
26 William. How specifically do you suggest that that  
27 be brought about, Mr. Lester?

28 A. Well, Vancouver is dealt with in entirely  
29 the same way as Fort William, except on one important  
30 point, that the United States is not considered an







1 export market if the grain moves to Vancouver. The  
2 Tariff excludes continental United States and Alaska --  
3 I think I am correct in that.

4 Q. And your suggestion to this Commission,  
5 then, is that it recommend there be some legislation  
6 change to put the domestic rate to Vancouver down to  
7 the same level as the export?

8 A. All we have to do is recognize United  
9 States where we fill out the export declarations. We  
10 adjust them to recognize it when we ship to the United  
11 States for export.

12 MR. CUMMING: Thank you.

13  
14 CROSS-EXAMINATION BY MR. FRAWLEY:

15 Q. Mr. Lester, does your Exchange support  
16 the proposition that rape seed should be accorded the  
17 same rate as wheat, oats and barley moving into export  
18 positions?

19 MR. SINCLAIR: I thought this was outside the  
20 jurisdiction of the Commission by virtue of the Order  
21 in Council, and the witness has very nicely stated that  
22 he is not discussing it because it is.

23 THE CHAIRMAN: Technically, I think that is  
24 right. And one of the problems is whether or not rape  
25 seed was a grain produced in Western Canada in 1897, but  
26 that is in litigation now.

27 MR. FRAWLEY: All I am asking him is whether  
28 he supports or does not support the proposition that  
29 rape seed should be classified for export purposes as  
30 wheat, oats and barley. That is all.





1 I am not concerned with anything else.

2 THE CHAIRMAN: Well that question is all  
3 right.

4 MR. FRAWLEY: Q. What is your answer?

5 A. Yes, we support that.

6  
7 CROSS-EXAMINATION BY MR. McDONALD:

8 Q. Your main point, I take it, Mr. Lester,  
9 is that you want grain shipped to Vancouver, which is  
10 later sold to the United States, to be charged the  
11 statutory rates instead of the domestic rates?

12 A. That is a point I made in my brief. I  
13 wouldn't say that was the main point.

14 Q. Well, that is one point?

15 A. Yes.

16 Q. And you have probably heard of the  
17 evidence the railways have put in in Ottawa, subject  
18 to cross-examination, saying that these statutory rates  
19 do not meet their costs. Who is going to make up the  
20 difference between the statutory and the domestic rates  
21 to the railways?

22 A. I don't think we made any reference to that  
23 in our brief. We stated in our brief that this whole  
24 question had to be studied by the Commission. We are  
25 simply pointing out the fact that there is a difference  
26 in treatment between one export port and another export  
27 port.

28 Q. But the net result would be, if it were  
29 conceded that grain shipped to Vancouver and sold to the  
30 United States should only pay the statutory rate -- the







1 net result would be that the railways would receive  
2 less money, would it not?

3 A. Yes.

4 Q. And have you any idea of where the  
5 railways are going to recoup themselves for that loss?

6 A. Well, they might be getting as much money  
7 in total, because we might be doing a bigger business.

8 Q. With more losses?

9 A. We have to operate that way, too, in the  
10 grain business.

11 MR. McDONALD: I think that is all, thank  
12 you, Mr. Lester.

13  
14 CROSS-EXAMINATION BY MR. SINCLAIR:

15 Q. Mr. Lester, the grain business is not a  
16 profitable business?

17 A. Not always.

18 Q. Not always. But, over the years the  
19 people who make up the Vancouver Grain Exchange -- they  
20 have done pretty well, now, haven't they?

21 A. Well, I think they are still in business.

22 MR. BRAZIER: Just like the C.P.R.

23 MR. SINCLAIR: A lot better than the C.P.R.,  
24 Mr. Brazier.

25 Q. Mr. Lester, do they trade on your Ex-  
26 change?

27 A. You mean in futures?

28 Q. Yes.

29 A. No.

30 Q. No trading at all?





- 1 A. No trading in futures.
- 2 Q. And any hedging?
- 3 A. No hedging on the Vancouver grains.
- 4 Q. What do they do -- buy it at the Winnipeg
- 5 Exchange?
- 6 A. They trade in cash grains.
- 7 Q. You trade in cash grains?
- 8 A. Yes.
- 9 Q. And is that as big a business as your
- 10 work on export?
- 11 A. It is part of it.
- 12 Q. It is part of the business?
- 13 A. Yes.
- 14 Q. And sometimes that can be a very profit-
- 15 able endeavour -- trading in cash grain -- can't it,
- 16 Mr. Lester?
- 17 A. Yes, it can be quite a risky business, too.
- 18 Q. Oh, it is. Now, what I am specifically
- 19 interested in is this: do you say that mixed feed oats
- 20 were treated as screenings?
- 21 A. Yes.
- 22 Q. What do you mean by mixed feed oats?
- 23 A. Mixed feed oats are a wild oat.
- 24 Q. A wild oat. The only reason that the
- 25 domestic rate does not apply to screenings is because
- 26 an order was made denying the proper charges to the
- 27 railways on this traffic?
- 28 A. I would hardly say that. For years it
- 29 has never been charged. The railways did attempt to
- 30







1 introduce a charge.

2 Q. And they were denied that right?

3 A. Yes.

4 MR. BRAZIER: I might say the railways have  
5 attempted to put in an improper charge.

6 MR. SINCLAIR: Q. And the only reason, Mr.  
7 Lester, that there was not a separation, you will agree,  
8 is that you cannot separate screenings from the export  
9 grain. The separation takes place here?

10 A. Yes, the separation takes place here,  
11 yes.

12 Q. And that point was one of the major points  
13 put forward?

14 A. That is right.

15 Q. Now, Mr. Lester, why is it that the  
16 Vancouver Grain Exchange would have the view that if  
17 grain being moved to export positions in Western Canada  
18 at the statutory rates was not meeting its costs that  
19 that fact should not be recognized?

20 A. I don't quite understand. I don't  
21 think we have said anything ---

22 Q. Well, do you think it should be recognized?

23 A. I think we simply said that the onus of  
24 proof in this respect lies on the railways.

25 Q. I am not talking about onus of proof. I  
26 said -- let us assume it is established that there is  
27 a loss on the moving of grain to export positions at  
28 statutory rates, and that the movement of that grain,  
29 therefore, does not meet its cost. Would you agree  
30





1 that that fact should be recognized?

2 A. Recognized by the Commission.

3 Q. And recommendations made?

4 A. I certainly think it should be recognized  
5 by the Commission if in fact you have proved that grain,  
6 both ways, Fort William-Vancouver.

7 Q. And recommendations made that that loss  
8 be offset?

9 A. The recommendations are to be made by the  
10 Commission.

11 Q. Yes. But your view, the view of your  
12 organization, is that the Commission should make such a  
13 recommendation?

14 A. No, I did not say that. I just said  
15 that the fact should be recognized by the Commission  
16 in making their report.

17 Q. Let me see if we are not at cross purposes,  
18 Mr. Lester.

19 If it is a fact that grain moving to export  
20 positions does not meet a just and reasonable remuneration  
21 to the railways -- accept that as a premise, prove it  
22 at a later date, so that it then becomes a fact -- you  
23 accept that as a fact for the purpose of this. Would  
24 you do that?

25 A. Yes.

26 Q. Then, does your Exchange, your organiza-  
27 tion, recommend to this Commission that that fact be  
28 recognized and appropriate action taken?

29 A. I think we covered that, sir, in this.  
30







1 We have said -- the only point that we have made is  
2 that this should not be adjusted in such a way that  
3 (a) the farmer in western Canada suffers, or (b) the  
4 competitive basis of Canadian export grain suffers.  
5 We haven't said that there should be no reduction.  
6 We have simply said that the whole question must be  
7 studied by this Commission. We are not competent to  
8 judge what the Commission should do.  
9  
10  
11 -  
12  
13  
14  
15 -  
16  
17  
18 -  
19  
20  
21  
22 -  
23  
24  
25  
26 -  
27  
28  
29 -  
30





1 Q. I recognize what you say; I heard you.  
2  
3 Would you mind if I started again? If it becomes a  
4 fact, if it is established -- use what phrase you like  
5 -- that grain being moved by the railways to export  
6 positions in western Canada does not return a just and  
7 reasonable remuneration to the railways, your position  
8 is that the rate to the farmer should remain as it is  
9 today; correct?

10 A. Yes.

11 Q. And the difference between that rate and  
12 what would be a just and reasonable remuneration, the  
13 recommendation of your organization to this Commission  
14 would be that that be taken care of by federal subsidy;  
15 would that be correct?

16 A. I haven't any recommendation in that re-  
17 gard. I understood that the Commission was to study  
18 this question and make their recommendations. Now,  
19 let me put it this way; if these rates are raised ---

20 Q. Nobody is suggesting that.

21 A. No, but you must be compensated for  
22 carrying grain at a loss, and it is possible that the  
23 Commission might suggest the farmer pay an increased  
24 freight rate and be rewarded with a higher price. There  
25 are innumerable ways this may be worked out. I have no  
26 recommendation. I do not feel qualified to study the  
27 whole question and make a recommendation.

28 Q. But what you are very firm in your convic-  
29 tion about is that the rate to the farmer himself not be  
30 increased unless he is compensated to the amount of the







1 additional charges?

2 A. Yes.

3 Q. As long as that is done you have no objec-  
4 tion to it at all?

5 A. I have two objections.

6 Q. What are they?

7 A. The farmers' economic condition would need  
8 to be considered, and the competitive position of Canadian  
9 grains would have to be considered.

10 Q. Mr. Lester, it is my fault, but you and I  
11 seem to get at cross purposes very quickly. I say that  
12 the rate to the farmer would not be increased unless he  
13 was compensated completely for the amount of the increase;  
14 that is your first position?

15 A. You have two points; supposing the price  
16 of grain was raised at the seaboard to compensate the  
17 farmer for the higher freight rate, and then my second  
18 proposition would be that it would make Canadian grain  
19 uncompetitive in world markets, so we must consider them  
20 together.

21 Q. What you are saying is that grain would  
22 then not sell at the existing price? Are you suggesting  
23 that if the freight rates were increased the price of  
24 grain at the export positions would increase to the  
25 amount of the freight rate?

26 A. That could be ---

27 Q. I am asking you would it do it?

28 A. I don't know, I haven't been able to see  
29 that far into the future.  
30





1 Q. Let me suggest that if the freight rate  
2 went up and the price remained the same in the export  
3 position and the farmer was compensated for the  
4 difference between the existing rate and a just and  
5 reasonable rate, then the competition position on the  
6 export markets wouldn't be affected at all, would  
7 they?

8 A. That is correct.

9 Q. And you would have no objection to that  
10 kind of method?

11 A. No.

12 Q. And would have no objection to a subsidy  
13 being paid in that way?

14 A. Except that we object to a subsidy being  
15 earmarked.

16 Q. Why would you object to it being ear-  
17 marked when you have just agreed with me that it is to  
18 meet a specific situation?

19 A. Well, the difficulty with subsidies is  
20 that if they are designed -- at least, that was our  
21 theory -- if they are designed to offset the difficul-  
22 ties of one particular class, it creates a division in  
23 the country and you have the British Columbia people  
24 saying, "Why should these farmers be singled out to be  
25 given a subsidy?" and in a few years the reason for the  
26 subsidy becomes lost, and then it becomes a policy  
27 which may create bad feelings all across the country.

28 Q. So, you think it would be a bad thing  
29 if people thought that the subsidy was for the railway  
30







1 instead of for moving grain at less than cost; don't  
2 you think that would be a bad thing?

3 A. Yes, I think it could be.

4 Q. That might be worse?

5 A. I don't know whether it would be worse,  
6 but I agree with you.

7 Q. And so therefore what you really want is  
8 to make certain that the payment is delineated for a  
9 specific purpose in a statute, so that the reason for  
10 it is not lost sight of, and that would meet your diffi-  
11 culty?

12 A. Yes.

13 Q. Thank you very much.

14  
15 BY COMMISSIONER ANSCOMB:

16 Q. Less than a second and a half ago you  
17 used this language, "In a few years the reason for the  
18 subsidy might be lost". You didn't say anything else,  
19 but if the reason is lost would there then be any  
20 reason to continue the subsidy?

21 A. I am sorry, sir, I think you misunder-  
22 stood. I don't mean that the reason for putting in the  
23 subsidy might disappear, but the people -- we will take  
24 the general public, they might lost sight of the  
25 reasons that were behind the putting of that subsidy  
26 into effect, even though those reason continued to  
27 exist.

28 Q. I agree that it is a conflation of  
29 words. Supposing the reason for the subsidy was lost,  
30 say ten years from now, do you still think it should go





1 on?

2 A. No.

3 COMMISSIONER ANSCOMB: That is all.

4 THE CHAIRMAN: Thank you, Mr. Lester.

5 Mr. Brazier?

6 MR. BRAZIER: Could we have five minutes?

7 THE CHAIRMAN: Mr. Brazier, we have a  
8 communication from Mr. Green. Is he here?

9 MR. BRAZIER: No. I don't know the gentle-  
10 man. I think that Mr. Commissioner Anscomb introduced  
11 me to him yesterday, and I told him if he wishes to  
12 read his brief he should be here about this time today;  
13 I told him eleven o'clock and he said, "Well, could it  
14 be taken into the record as read?"

15 THE CHAIRMAN: If that would be agreeable we  
16 could take it in as read.

17 MR. BRAZIER: I haven't the slightest idea  
18 what is in the brief, but I think all parties would  
19 agree to that.

20 THE CHAIRMAN: Are you here, Mr. Green?

21 Well, then, we will take the letter in as  
22 read, and we will have a short adjournment now.  
23  
24  
25  
26  
27  
28  
29  
30







Submission to The Royal Commission on Transportation

5615 East Hastings Street,  
Burnaby 2, B.C.,  
February 8th, 1960

Mr. Chairman and Members

Royal Commission on Transportation.

Gentlemen:

The theory that duplication ensured competition and thereby lessened costs to the public was accepted by our grandfathers in railway matters, but time has long proved the fallacy of this theory. Few countries in the world today practise competition in railways and of those that do Canada suffers most in prices based on costs, for our railways have been supplied with an outlay for two or more sets of tracks, buildings, offices and employees where only one was needed from coast to coast.

New Westminster-Vancouver is one example, four railways were actually constructed and each knows how many more promoted to the extent of securing a franchise, yet today three of those four lines have abandoned scheduled services and the fourth has two railway companies using the one set of tracks. Will anyone say that rates would have been cheaper if the Canadian Northern and the Great Northern had each built from Surrey to Vancouver? The outlay would have been twice as great for construction as for operation -- would that cut the costs?

Today the sins of our forebears are being visited upon us in rates based upon the needless





1 construction undertaken by them but the fault is  
2 entirely our own that we pay for dual operations where  
3 one railway will do. No need to embark upon that  
4 frightening "nationalization", either, but a simple  
5 order to the two transcontinental railways to amalga-  
6 mate where competition is now practised, such as was  
7 done from Toronto to Hamilton in Ontario many years ago,  
8 would greatly reduce costs upon which rates are based.

9  
10 No railway wastage in the whole Dominion of  
11 Canada is so apparent as in British Columbia, where  
12 two sets of tracks are operated where there is not  
13 business enough for even one, although one is needed to  
14 fulfill the bargain between the colonies made in the  
15 last century. But the Fraser River valley and the  
16 Thompson valley likewise need only one line; and as this  
17 is the most expensive region in which to operate in the  
18 whole of Canada the immediate suspension of services  
19 by one of the railroads over their tracks should be  
20 ordered from Kamloops to Vancouver. Perhaps the  
21 rails might be left from New Westminster to Port  
22 Coquitlam and thence to Vancouver, for it is assumed  
23 that the Canadian National would be the line to use  
24 because it has the best grades, is cheapest to operate  
25 and does have a sizeable population en route in the  
26 final eighty or one hundred miles.

27 Likewise in the prairie provinces and across  
28 Ontario there are unwise duplications, although there  
29 are only short strips of such utter wastage as in  
30 British Columbia, such as the ninety-odd miles from







1 Port Arthur to Nipigon. But if even only these side-  
2 by-side wastages were corrected where they exist, it  
3 would prove a matter of very great saving -- proof in  
4 our province was the lifting of one set of tracks forty  
5 years ago through the Yellowhead Pass when the Grand  
6 Trunk and the Canadian Northern railways were amalgamated  
7 -- and the savings should prove sufficient to justify  
8 refusal of an increase in freight rates, already too  
9 high because of this unnecessary duplication by our  
10 great-great grandfathers.

11 Respectfully submitted.

12 Yours very truly,

13 Malcolm F. Green.  
14

15  
16 ---Short recess.  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 THE CHAIRMAN: Mr. Brazier?

2 MR. BRAZIER: Mr. Chairman and gentlemen of  
3 the Commission, it is now our intention to present the  
4 first part of the brief prepared on behalf of the  
5 Government of British Columbia. Mr. Bonner mentioned  
6 this morning that we intend to present a further brief  
7 at subsequent hearings in Ottawa.

8  
9 Now, when this Commission was first appointed  
10 by the federal government ---

11 THE CHAIRMAN: Are there ample copies of this  
12 brief?

13 MR. BRAZIER: Yes, there are ample copies.

14 MR. SINCLAIR: I would like to say that for  
15 once my good friend Mr. Brazier gave us this two weeks  
16 before today.

17 THE CHAIRMAN: I am glad to hear that.

18 MR. SINCLAIR: And I think that should be duly  
19 recorded.

20 MR. BRAZIER: I do wish to say, Mr. Chairman,  
21 that following the appointment of this Commission, a  
22 number of conferences were held here in British Columbia  
23 with various interested parties, and it was decided that  
24 the Province of British Columbia would make the most help-  
25 ful contribution it felt able to with regard to the  
26 solution to the problems that were placed before this  
27 Commission by your terms of reference.

28 Now, while this brief has been drawn -- as it  
29 should be, I think -- from the point of view of British  
30 Columbia, we have attempted to be as objective as possible







1 and we have tried to set forth our position in the  
2 railway problem of Canada and measure it against the  
3 effect of that problem on other sections of Canada.

4 Now, we admit that in British Columbia we  
5 have certain advantages; if we didn't British Columbia  
6 would not have developed to the extent that it has up  
7 until now. We do complain that our natural advantages  
8 are interfered with by statutory regulations, and we do  
9 feel that we are entitled in British Columbia to the  
10 same sort of treatment that is accorded to other parts  
11 of Canada, and we feel that our problems in this  
12 province are like or identical to those problems in  
13 other parts of Canada.  
14

15 As the Minister has already mentioned,  
16 British Columbia is the most distant province from the  
17 centre, the industrial centre of Canada. British  
18 Columbia depends to a great extent on one fundamental  
19 industry as the backbone of its economy, and that is  
20 the forest products industry, just as the prairie pro-  
21 vinces depend probably to the same or a similar extent  
22 on the export of grain.

23 We have one advantage; probably our trees grow  
24 a little bigger here on the Pacific coast than they do  
25 in any other part of Canada, and for that reason we are  
26 still able to ship certain types of lumber from the  
27 Pacific coast because they don't grow anywhere else.  
28 The industry of this province has been very seriously  
29 affected by the impact of freight rates, and particularly  
30 so in the past three years, and I think that some of





1 the tables that we will produce in our brief will  
2 indicate just how that has affected us here in British  
3 Columbia.

4 Now, as far as the brief is concerned, might  
5 I say one thing which I insisted that they do, and that  
6 is to check all their tables very carefully. It is  
7 easy enough when you haven't a large trained staff  
8 used to handling these figures for errors to creep in.  
9 However, they have been rechecked since the printing of  
10 the book, and we have had prepared n errata and that  
11 has now been handed out to everybody, and the text of  
12 the brief will be corrected as it is read, but we do  
13 regret that there are these errors; some decimal points  
14 are out of place, and that sort of thing, and we hope  
15 to the best of our ability that we have given the  
16 correct figures in our tables.

17 There is one further thing I should say, that  
18 since the printing of the book we have prepared certain  
19 other tables, which we will introduce with this brief  
20 itself, and Professor Hughes, as he reads it, will  
21 introduce some eight or ten other tables, all of which  
22 are prepared, we hope, for the assistance of the Com-  
23 mission in placing the problem of transportation in its  
24 proper light and in the terms of reference of the  
25 Commission itself, and so we want to excuse ourselves,  
26 Mr. Chairman and members of the Commission and others  
27 here, that we didn't have these other exhibits available  
28 until this morning, but I think there will still be  
29 ample time for them to be studied by other parties and  
30







1 they can prepare properly for their cross-examination.

2 With that I am going to call Professor Hughes.

3 THE CHAIRMAN: You might qualify Mr. Hughes,  
4 and we will break for five minutes before he does.  
5

6  
7  
8 WILLIAM HUGHES, called

9 DIRECT EXAMINATION BY MR. BRAZIER:

10 Q. Your full name is William Hughes?

11 A. Yes.

12 Q. And you are an Assistant Professor and  
13 Chairman of the Division of Transportation, Faculty  
14 of Commerce, University of British Columbia?

15 A. Yes.

16 Q. And you have held that position since  
17 July of 1957?

18 A. Yes.

19 Q. And you are a graduate of the London  
20 School of Economics?

21 A. Yes.

22 Q. What year was that?

23 A. 1955.

24 Q. You have a Bachelor of Science degree  
25 in Economics?

26 A. Yes.

27 Q. And a Master of Business Administration  
28 from the University of Indiana?

29 A. Yes.

30 Q. And at the present time you are completing





1 your thesis for your Doctorate at the same university?

2 A. Yes.

3 Q. You are an associate member of the British  
4 Institute of Transportation?

5 A. Yes.

6 Q. And a member of the American Economics  
7 Association?

8 A. Yes.

9 Q. You were employed for seven years in the  
10 operating department of the Trucking Division of the  
11 British Transport Commission and its predecessor com-  
12 panies?

13 A. Yes.

14 Q. And you served three years in the Royal  
15 Navy during the war?

16 A. Yes.

17 Q. And you were commissioned to make the  
18 necessary studies and prepare the brief to be presented  
19 by the Attorney General of British Columbia in May of  
20 last year?

21 A. Yes.

22 Q. Since that time you have given consider-  
23 able time and study to the various problems that are  
24 before this Commission?

25 A. Correct.

26 THE CHAIRMAN: We will take a short recess  
27 now.

28 ---Short recess.  
29  
30







**Submission of**

**THE**

**PROVINCE OF**

**BRITISH COLUMBIA**

**to the**

**ROYAL COMMISSION ON TRANSPORTATION**

**PART I**

**VICTORIA, B.C.**

**February 1960**



*Brief prepared on the instruction of*

THE HON. R. W. BONNER Q.C.  
ATTORNEY-GENERAL AND MINISTER OF THE  
DEPARTMENT OF INDUSTRIAL DEVELOPMENT, TRADE AND COMMERCE

*by:*

W. HUGHES  
CHAIRMAN OF THE TRANSPORTATION DEPARTMENT,  
FACULTY OF COMMERCE: UNIVERSITY OF BRITISH COLUMBIA

J. I. GUEST  
THE BUREAU OF ECONOMICS AND STATISTICS  
DEPARTMENT OF INDUSTRIAL DEVELOPMENT  
TRADE AND COMMERCE

C. W. BRAZIER Q.C.  
PROVINCIAL FREIGHT RATE COUNSEL





## TABLE OF CONTENTS

|   |    |
|---|----|
| Introduction .....  | 5  |
| 1. THE TRADING ECONOMY OF BRITISH COLUMBIA .....  | 7  |
| The Economy .....   | 7  |
| Transportation and the Economy of British Columbia .....  | 18 |
| British Columbia and National Policy .....  | 22 |
| British Columbia's Dependence on Rail .....   | 24 |
| British Columbia Pays the Freight both ways .....   | 25 |
| Horizontal Percentage Increases .....   | 26 |
| Summary and Conclusions .....   | 30 |
| 2. THE BRIDGE SUBSIDY .....   | 33 |
| The Purpose of the Bridge Subsidy .....   | 33 |
| The 'Economic Desert' .....   | 34 |
| Effect of the Bridge Subsidy .....  | 35 |
| Recommendation .....  | 37 |
| 3. UNREMUNERATIVE SERVICES .....  | 39 |
| Effects of Unremunerative Services .....  | 39 |
| Size of the Deficit .....   | 40 |
| Policy Recommendations for the Passenger Deficit .....  | 42 |
| Policy Recommendations regarding Branch Lines and<br>Service to Intermediate Stations .....   | 46 |
| 4. CROWSNEST GRAIN RATES .....  | 49 |
| Purpose of the Rates .....  | 49 |
| Changes in Economic Conditions .....  | 49 |
| Amount of Loss on Export Grain .....  | 51 |
| The Burden of the Loss .....  | 51 |
| Suggested Solution to Alleviate the Burden .....  | 53 |
| 5. THE ONE AND ONE-THIRD RULE .....   | 55 |
| Introduction .....  | 55 |
| Inequities of the One and One-Third Rule .....  | 56 |
| Effect of Repeal on Intermediate Shippers .....   | 58 |
| Competition at Intermediate Points .....  | 59 |
| Localities can complain if Rates are unjust and unreasonable . . .  | 62 |
| Extension of the Rule to Agreed Charges .....   | 62 |
| Summary and Conclusions .....   | 64 |
| APPENDIX A Statement showing Trans-continental Competitive Rates<br>to B.C. coast points increased since the passage of the<br>One and One-Third Rule ..... | 65 |
| LIST OF TABLES .....  | 73 |
| LIST OF FIGURES .....   | 75 |



## LIST OF TABLES

|      |  |    |
|------|--|----|
| I    | Net Value of Production by Industry and Percentage Analysis in British Columbia 1952-1959.....   | 8  |
| II   | Distribution of Employment in Manufacturing; British Columbia, June, 1959.....   | 8  |
| III  | Value of Shipments, Manufacturing Industries (British Columbia) 1957.....  | 8  |
| IV   | Inter-Regional Transactions of Manufacturing Firms in the Lower Mainland Region of British Columbia who Buy Materials or Sell Products in Other Regions, 1958..... | 9  |
| V    | Major Items Purchased Outside the Region by Manufacturing Firms in the Lower Mainland of British Columbia, 1957.....   | 10 |
| VI   | Percentage Distribution of Carloads Originating in British Columbia by Province of Destination.....  | 12 |
| VI A | Estimated Tonnage, Revenue and Length of Haul for Carload Shipments Originating and Terminating (including Intra-Provincial Traffic) British Columbia, 1957.....   | 12 |
| VI B | Estimated Tonnage, Freight Revenues and Average Length of Haul for Carload Shipments Originating or Terminating in British Columbia, 1957.....                     | 13 |
| VI C | Class Rates, Estimated Tonnage, Freight Revenue and Average Length of Haul for Carload Shipments Originating or Terminating in British Columbia, 1957.....         | 13 |
| VI D | Non-competitive Rates. Estimated Tonnage, Revenue and Length of Haul for Carload Shipments Originating or Terminating in British Columbia, 1957.....               | 14 |
| VI E | Commodity Competitive Rates. Estimated Tonnage, Revenue and Length of Haul for Carload Shipments Originating or Terminating in British Columbia, 1957.....         | 14 |
| VI F | Agreed Charges. Estimated Tonnage, Revenue and Length of Haul for Carload Shipments Originating or Terminating in British Columbia, 1957.....                      | 15 |
| VI G | Mixed Shipment. Estimated Tonnage, Revenue and Length of Haul for Carload Shipments Originating or Terminating in British Columbia, 1957.....                      | 15 |
| VI H | Statutory Rates. Estimated Tonnage, Revenue and Length of Haul for Carload Shipments Originating or Terminating in British Columbia, 1957.....                     | 15 |





|   |    |
|---|----|
| VII Revenue Freight Carried by Railways Originating in British Columbia, 1957.....  | 16 |
| VIII Carload Freight. Railway Freight Traffic in British Columbia by Major Commodity Groups for Selected Years 1950-1954-1958..   | 17 |
| IX Average Freight Cost per ton and Average Length of Haul by Province Originated, 1957.....  | 18 |
| X Distance and Cost Characteristics of Total Shipments. Commodity Non-Competitive and Agreed Change Rates by Province, 1957.....  | 18 |
| X A Agreed Charges. Distance and Cost Characteristics of Total Shipments by Provinces. Average Revenue per ton (Dollars)....  | 19 |
| X B Agreed Charges. Distance and Cost Characteristics of Total Shipments by Provinces. Average Haul per ton (Miles).....  | 19 |
| X C Commodity Competitive Rate. Distance and Cost Characteristics of Total Shipment by Provinces. Average Length of Haul (Miles)  | 19 |
| X D Commodity Competitive Rate. Distance and Cost Characteristics of Total Shipments by Provinces. Average Revenue per ton (Dollars).....                                     | 20 |
| X E Commodity Non-Competitive Rate. Distance and Cost Characteristics of Total Shipment by Provinces. Average Haul per Ton (Miles).....                                       | 20 |
| X F Commodity Non-Competitive Rate. Distance and Cost Characteristics of Total Shipments by Provinces. Average Revenue per Ton (Dollars).....                                 | 20 |
| XI Average Freight Charge per Ton by Rate Group, by Originating Province, 1957.....   | 21 |
| XII Approximate Exports of Sawn and Planed Softwoods (Including Ties, Boxboard, Staves and Shingles) from Selected Countries to the United Kingdom (1953-54 and 1957-58)..... | 21 |
| XIII Cities with Populations over 50,000 and Distances from Vancouver, Canadian Prairies and U.S.A. Pacific Coast.....  | 24 |
| XIV Distribution of Traffic Between Transportation Agencies; Incoming and Outgoing Shipments—British Columbia, 1957.....  | 25 |
| XV Waybill Sample of Interprovincial Movement, 1957. Distance and Cost Characteristics of Competing Shipments by Province..   | 26 |
| XVI Estimated Domestic Tonnage Originating and Terminating in British Columbia by Type of Rate, 1957.....   | 30 |
| XVII Production of Prairie Provinces and the Bridge Area, 1955....  | 35 |



|        |   |    |
|--------|---|----|
| XVIII  | Percentage Distribution of Carloads Originating in British Columbia, Domestic Traffic, 1957.....  | 35 |
| XIX    | Percentage Distribution of "Bridge" Carload Traffic Originating British Columbia and Ontario, 1957.....   | 36 |
| XIX A  | Carloads Originating in B.C. and Ontario Eligible for Bridge Subsidy as a percentage of Ontario and B.C. Carloads moving across the Bridge, 1957..... | 37 |
| XX     | Estimated Distribution of Intercity Passenger Miles by Type of Carrier for Selected Years.....  | 43 |
| XXI    | Revenue Passengers Carried and Passenger Train Miles. Canadian Pacific Railway and Canadian National Railway, 1928-1958.....                          | 44 |
| XXII   | Percentage Decreases in Passengers Carried and Passenger Train Miles. Canadian Pacific Railway and Canadian National Railways, 1928-1959.....         | 45 |
| XXIII  | Average Yields, Production and Value of Principal Grain Crops, 1945-49 Average and 1956.....  | 50 |
| XXIV   | Production of Grain in the Prairie Provinces, Selected Years, 1948-1958.....  | 50 |
| XXV    | Carryover of Canadian Wheat and Oats in Canada 1948-49 and 1957-58.....   | 50 |
| XXVI   | Estimated Revenue on 'Normal Traffic'.....  | 53 |
| XXVII  | Ton-miles and Total Mileage by For-hire trucks by Province, 1957.....   | 59 |
| XXVIII | Average For-hire Truck Population in Canada, by Province, 1957  | 60 |
| XXIX   | For-hire Interprovincial Traffic by Canadian Regional Trucks, 1957. Origin and Destination.....   | 60 |
| XXX    | For-hire Interprovincial Traffic by Canadian Registered Trucks, Four Western Provinces, 1957.....   | 61 |
| XXXI   | Average Revenue per Ton-Mile, For-hire Trucks, by Provinces, 1957.....  | 61 |

### LIST OF FIGURES

|    |  |    |
|----|--|----|
| 1. | Where the Lower Mainland Region Sells its Manufactured Products..                        | 11 |
| 2. | Population and Distances from Vancouver, Canadian Prairies and U.S.A. Pacific Coast..... | 23 |
| 3. | Changes in Market Area due to Horizontal Percentage Increase.....                        | 28 |





## CHAPTER 1

### THE TRADING ECONOMY OF BRITISH COLUMBIA

#### *The Economy*

British Columbia is Canada's third largest province with over one-third of the land area being productive forested land. Agricultural land, though important in terms of production, constitutes only two per cent of the total land area. The economy of British Columbia, therefore, is oriented towards its forest products rather than towards agriculture.

Table I gives the net value of production by industry for British Columbia for the years 1952 to 1958 with an estimate for 1959. It is seen that manufactures account for 43 per cent of production, forestry for 15 per cent, and agriculture for only 4 per cent. Agriculture, fisheries and mining have remained relatively stable in the six year period, forestry has had an overall increase, while manufacturing has also steadily increased in dollar value.

The economy of British Columbia is very highly specialized on forest products, a situation brought about by reasons of topography, soil and climate—factors which do not lead easily to diversification.

Tables II and III point up the high degree of specialization. Although British Columbia has a great deal of manufacturing industry, it is mainly

concerned with the processing of a few basic products. The prosperity of the manufacturing industries and urban centres heavily depend on the prosperity of the primary industries, and it is the fundamental concern of this Submission that the economic health of the province be not weakened by reason of high or unreasonable freight rates.

Specialization in production and low diversification implies that British Columbia is dependent on other parts of Canada and the world for the things it consumes, paying for these by the things it sells. British Columbia, for instance, sells lumber, fish, apples and refined metals in exchange for food, iron and steel, household appliances, machinery and textiles. Any barrier to reaching markets must mean a curtailment of imports and a lowering of living standards—hence the constant and urgent concern over freight rates.

Narrow specialization in production forces trade into patterns shaped by the location of the markets in which British Columbia can sell and buy its products and needs. The pattern of trade thus formed is well illustrated by Table IV.



TABLE I  
NET VALUE OF PRODUCTION BY INDUSTRY AND PERCENTAGE ANALYSIS IN BRITISH COLUMBIA 1952-1959

| YEAR           | Agriculture |     | Forestry |      | Fisheries |     | Trapping |     | Mining  |     | Electric Power |     | Manufactures |      | Construction <sup>1</sup> |      | Grand Total |       |
|----------------|-------------|-----|----------|------|-----------|-----|----------|-----|---------|-----|----------------|-----|--------------|------|---------------------------|------|-------------|-------|
|                | \$000       | %   | \$000    | %    | \$000     | %   | \$000    | %   | \$000   | %   | \$000          | %   | \$000        | %    | \$000                     | %    | \$000       | %     |
| 1952.....      | 78,833      | 6.0 | 201,262  | 15.4 | 30,158    | 2.3 | 813      | 0.1 | 115,524 | 8.8 | 41,258         | 3.2 | 556,172      | 42.6 | 282,700                   | 21.6 | 1,306,720   | 100.0 |
| 1953.....      | 79,434      | 5.8 | 199,071  | 14.4 | 31,281    | 2.3 | 709      | 0.0 | 85,098  | 6.2 | 45,265         | 3.3 | 615,686      | 44.7 | 319,900                   | 23.3 | 1,376,444   | 100.0 |
| 1954.....      | 73,912      | 5.4 | 211,615  | 15.3 | 34,458    | 2.5 | 568      | 0.0 | 94,781  | 6.9 | 49,466         | 3.6 | 651,813      | 47.2 | 264,200                   | 19.1 | 1,380,813   | 100.0 |
| 1955.....      | 70,520      | 4.4 | 264,232  | 16.6 | 27,711    | 1.7 | 774      | 0.1 | 100,415 | 6.3 | 54,761         | 3.5 | 750,877      | 47.3 | 318,700                   | 20.1 | 1,587,990   | 100.0 |
| 1956.....      | 74,235      | 4.1 | 293,174  | 15.6 | 36,058    | 1.9 | 573      | 0.0 | 109,816 | 5.9 | 60,552         | 3.2 | 824,249      | 43.9 | 476,800                   | 25.4 | 1,875,457   | 100.0 |
| 1957.....      | 75,913      | 4.1 | 258,671  | 13.8 | 30,021    | 1.6 | 399      | 0.0 | 88,978  | 4.8 | 65,529         | 3.5 | 767,914      | 41.1 | 579,897                   | 31.1 | 1,867,322   | 100.0 |
| 1958 Prel..... | 82,000      | 4.5 | 260,000  | 14.5 | 48,000    | 2.7 | 300      | 0.0 | 84,000  | 4.7 | 76,000         | 4.2 | 775,000      | 43.2 | 470,000                   | 26.2 | 1,795,300   | 100.0 |
| 1959 Est.....  | 83,000      | 4.4 | 295,000  | 15.6 | 34,000    | 1.8 | 300      | 0.0 | 90,000  | 4.8 | 82,000         | 4.3 | 828,000      | 43.9 | 475,000                   | 25.2 | 1,887,300   | 100.0 |

<sup>1</sup>Includes Yukon and Northwest Territories.

Sources: Special Statement, "Principal Statistics of the Manufacturing Industries of Canada by Province and Industrial Group, D.B.S., Ottawa.

Annual Report, Dept. of Mines, Victoria, B.C.

"Electric Power Statistics," D.B.S., Ottawa.

"Construction In Canada," D.B.S., Ottawa.

Prepared by the Bureau of Economics and Statistics.

TABLE II  
DISTRIBUTION OF EMPLOYMENT IN  
MANUFACTURING; BRITISH COLUMBIA, JUNE 1959

| INDUSTRY                            | Employees Reported | % of Total |
|-------------------------------------|--------------------|------------|
| Food and Beverages.....             | 12,337             | 13.7       |
| Wood Products.....                  | 34,254             | 38.1       |
| Paper Products.....                 | 9,726              | 10.8       |
| Printing and Allied Industries..... | 3,718              | 4.13       |
| Iron and Steel Products.....        | 6,351              | 7.1        |
| Transportation Equipment.....       | 7,795              | 8.7        |
| Non-ferrous Metal Products.....     | 6,472              | 7.2        |
| Chemical Products.....              | 2,302              | 2.6        |
| Others.....                         | 7,019              | 17.0       |
| TOTAL.....                          | 89,974             | 100.0      |

Source: Dominion Bureau of Statistics "Employment Payrolls"  
June 1st, 1959.

TABLE III  
VALUE OF SHIPMENTS, MANUFACTURING INDUSTRIES  
British Columbia 1957

| INDUSTRIAL GROUP                 | \$000     | %     |
|----------------------------------|-----------|-------|
| Wood Products.....               | 527,431   | 29.0  |
| Paper Products.....              | 200,876   | 11.0  |
| Petroleum Coal.....              | 149,097   | 8.2   |
| Fish Products <sup>1</sup> ..... | 63,000    | 3.4   |
| Iron and Steel Products.....     | 145,464   | 8.0   |
| Non-Ferrous Metals.....          | 144,992   | 7.9   |
| Foods and Beverages.....         | 394,523   | 21.7  |
| Products of Petroleum.....       | 149,097   | 8.2   |
| Others.....                      | 43,154    | 2.6   |
| TOTAL.....                       | 1,817,644 | 100.0 |

<sup>1</sup>Wholesale Selling Value.

Source: Preliminary Statement of Manufacturers, 1957

Dominion Bureau of Statistics, Ottawa.





**TABLE IV**  
**INTER-REGIONAL TRANSACTIONS OF MANUFACTURING FIRMS IN THE LOWER MAINLAND REGION**  
**OF BRITISH COLUMBIA WHO BUY MATERIALS OR SELL PRODUCTS IN OTHER REGIONS, 1958**

| PURCHASED BY →<br><br>PURCHASED FROM ↓ | Food and beverages<br>59 firms | Rubber, leather and textiles<br>50 firms | Wood products<br>142 firms | Paper products<br>17 firms | Metal products<br>140 firms | Transportation equipment<br>42 firms | Electrical apparatus<br>14 firms | Non-metallic mineral products<br>29 firms | Chemical products<br>29 firms |   |
|--|--------------------------------|--|----------------------------|----------------------------|-----------------------------|--------------------------------------|----------------------------------|---|-------------------------------|---|
| Rest of British Columbia               | 6<br>72                        | 0<br>44                                  | 3<br>86                    | 3<br>16                    | 4<br>100                    | 1<br>27                              | 0<br>13                          | 9<br>22                                   | 0<br>24                       | ← Firms who sell to the Lower Mainland<br>← Firms who buy from the Lower Mainland |
| Prairie Provinces                      | 15<br>36                       | 0<br>34                                  | 0<br>72                    | 1<br>12                    | 0<br>42                     | 0<br>11                              | 0<br>13                          | 5<br>8                                    | 3<br>13                       |   |
| Eastern Canada                         | 7<br>25                        | 36<br>18                                 | 28<br>49                   | 11<br>3                    | 78<br>19                    | 16<br>5                              | 13<br>5                          | 4<br>1                                    | 14<br>2                       |   |
| U.S.A.                                 | 11<br>17                       | 21<br>4                                  | 40<br>46                   | 11<br>1                    | 42<br>8                     | 11<br>3                              | 10<br>1                          | 13<br>3                                   | 11<br>1                       |   |
| Other Countries                        | 5<br>11                        | 20<br>2                                  | 19<br>34                   | 3<br>1                     | 26<br>12                    | 13<br>5                              | 2<br>2                           | 6<br>1                                    | 9<br>2                        |   |

Lower Mainland firms who  
buy from other regions. ↗

↖ Lower Mainland firms who  
sell to other regions.

Source: MANUFACTURING INDUSTRY IN THE LOWER MAINLAND REGION OF B.C. Lower Mainland Regional Planning Board of B.C. Preliminary Report, 1959. Appendix 1. (Mimeo.)

This Table was prepared by the Lower Mainland Regional Planning Board of British Columbia and is based on interviews with all firms with over ten employees in the area. This table shows the extent of the region's dependence on other industrial areas of Canada and elsewhere insofar as manufacturing firms are concerned.

By reading down the columns in Table IV an idea can be obtained of the relative importance of inter-regional trade to each industry. For example, the first column shows that in a group of 99 firms manufacturing foodstuffs and beverages in the Lower Mainland, six used semi-manufactured materials obtained from other parts of British Columbia, fifteen firms obtained these from the prairie provinces, seven from Eastern Canada, eleven from the United States, and five from other parts of the world. The lower figures in each box

show that 72 firms in this industry sold products in other parts of British Columbia, 36 in the prairies, 25 in Eastern Canada, 17 in the United States, and 11 in overseas markets. The table shows the particularly high dependence of the wood group on the more distant markets, and of metal manufacturing on the more distant supplies.

The converse of these relationships is shown by reading along the rows in Table IV whereby the materials purchased by the Lower Mainland (i.e. the input) is, of course, the output of firms in other regions, and the products sold by Lower Mainland firms (the output) constitutes input to other regions. This input-output relationship is a basic element in the linkage between industrial activity in different regions.<sup>1</sup>

Figure 1 shows in summary where the manufacturing industries in the Lower Mainland sell

<sup>1</sup>MANUFACTURING INDUSTRY IN THE LOWER MAINLAND REGION OF B.C. Preliminary Report (mimeo.) Lower Mainland Regional Planning Board of British Columbia, 1959 pp. 72-74.

NOTE: Table IV is constructed on the basis of interviews with all firms with over ten employees (a total of 612 firms).



**TABLE V**  
**MAJOR ITEMS PURCHASED OUTSIDE THE REGION BY**  
**MANUFACTURING FIRMS IN THE LOWER MAINLAND OF BRITISH COLUMBIA 1957**

| PURCHASING<br>INDUSTRY                           | Source and type of commodity   |   |  |
|--|--|---|--|
|  | Eastern Canada   | United States   | Other Countries  |
| Food and Beverages . . . . .                     | vegetable oils<br>soap<br>paper cartons<br>bottles   | fertilizers<br>bottles  | fishing nets<br>milling machinery  |
| Textiles etc. . . . .                            | synthetic rubber<br>chemicals<br>textiles<br>shoe metal<br>canvas<br>plastics  | synthetic rubber<br>fabrics   | canvas<br>fabrics<br>rope<br>plastics  |
| Wood products                                    | door & sash hardware<br>fabrics<br>wire<br>glass<br>paints<br>metals   | door & sash hardware<br>glues<br>fabrics<br>paints<br>glass<br>metal tubing   | glass<br>fabrics<br>creosote   |
| Paper products . . . . .                         | chemicals<br>glues & gums<br>fancy paper<br>ink<br>starches<br>fine paper  | paper board<br>glues & gums<br>fancy paper<br>ink<br>starches<br>fine paper   | glues<br>thread<br>starches<br>fine paper  |
| Metal products . . . . .                         | special castings<br>boiler tubes<br>steel bars & sheet<br>non-ferrous metals<br>machinery<br>hardware<br>pig iron<br>tools & controls<br>precision equipment<br>tinned plate<br>wire | special castings<br>steel bars & sheet<br>non-ferrous metals<br>pig iron<br>hardware<br>tools & controls<br>engines & motors<br>precision equipment<br>wire | boiler tubes<br>steel bars & sheet<br>saw steel<br>aluminum<br>engines & motors<br>tin plate<br>wire |
| Transportation equipment . . . . .               | tires<br>steel<br>aluminum and brass<br>automotive parts   | fiberglass<br>hardware<br>automotive parts<br>motors  | steel (alloy)<br>motors<br>hardwood  |
| Electrical apparatus . . . . .                   | refrigeration parts<br>electronic components<br>metals   | battery boxes<br>refrigeration parts<br>electronic components<br>metals   | electronic components<br>metals  |
| Non-metallic mineral<br>products . . . . .       | plastics<br>glass<br>fire equipment<br>tetra lead<br>catalyst  | plastics<br>glass<br>first aid equipment<br>vermiculite<br>catalyst<br>paper board  | optical instruments<br>fire equipment  |
| Chemicals . . . . .                              | pigments & solvents<br>polyethelene<br>carbide equipment<br>paints and varnishes   | pigments & solvents<br>polyethelene<br>carbide equipment<br>metal containers<br>polyesters  | pigments<br>various chemicals  |
| Printing and<br>miscellaneous products . . . . . | fine papers<br>ink<br>glues<br>machinery and parts<br>varnishes  | machinery and parts<br>paper<br>varnishes<br>cloth<br>neon tubes  | machinery and parts<br>paper<br>varnishes  |

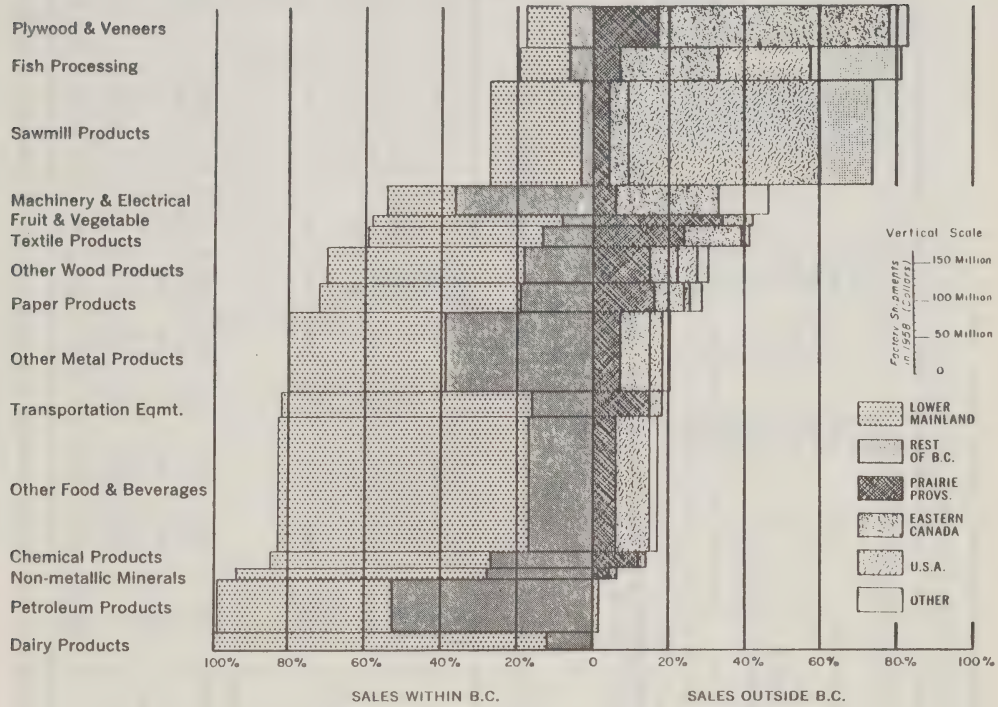
Source: MANUFACTURING INDUSTRY IN THE LOWER MAINLAND REGION OF B.C. (mimeo). Lower Mainland Regional Planning Board of British Columbia, 1959, Preliminary Report, pp. 47, 48. (Mimeo)





FIGURE I

WHERE THE LOWER MAINLAND REGION SELLS ITS MANUFACTURED PRODUCTS



Source: Industrial Survey in 1958 and D.B.S. Annual Report on Manufacturing. Compiled by Lower Mainland Regional Planning Board of British Columbia



their products. As would be expected, much of the production is sold within the region but a large part of the production also goes to the prairies and to other places. Table V shows the major items purchased by firms in the region.

Domestic trading relationships of the whole of British Columbia can best be studied from the Waybill Analysis. Table VI indicates the tenuous trade links of the province. Analysis shows that

for rail movements in 1957 fully 36 per cent of the forest products moved to Ontario and beyond, 15 per cent of manufactures and 14 per cent of agricultural products. Breakdown by major commodities transported shows the percentage of carloads moving east of the prairie provinces to be: apples 12%; fish and sea animal oils 100%; lumber 43%; plywood 64%; lead-zinc bar 61%; food N.O.S. 19% and paper 23%.

TABLE VI  
PERCENTAGE DISTRIBUTION OF CARLOADS ORIGINATING IN BRITISH COLUMBIA BY PROVINCE OF DESTINATION

| COMMODITY CLASS                | Total* Carloads in Sample | B.C. | Alta. | Sask. | Man. | Ont. | Que. | N.B. | N.S. | P.E.I. | Nfld. | Total % |
|--------------------------------|---------------------------|------|-------|-------|------|------|------|------|------|--------|-------|---------|
| Products of Agriculture*       | 80                        | 33.7 | 26.3  | 16.3  | 10.0 | 7.5  | 3.7  | 1.2  | 1.2  | —      | —     | 100     |
| Animals and Animal Products    | 18                        | 61.1 | 11.1  | —     | 5.6  | 16.6 | 5.6  | —    | —    | —      | —     | 100     |
| Products of Mines              | 371                       | 87.6 | 2.4   | —     | 7.3  | 2.7  | —    | —    | —    | —      | —     | 100     |
| Forest Products                | 577                       | 33.3 | 16.8  | 7.5   | 6.1  | 25.8 | 8.8  | 1.0  | 0.5  | —      | 0.2   | 100     |
| Manufactures and Miscellaneous | 484                       | 50.8 | 22.5  | 9.5   | 2.5  | 10.3 | 3.1  | 0.6  | 0.4  | —      | 0.2   | 100     |
| *Does not include export grain |                           |      |       |       |      |      |      |      |      |        |       |         |
| COMMODITY*                     |                           |      |       |       |      |      |      |      |      |        |       |         |
| 049 Apples                     | 25                        | 20.0 | 36.0  | 20.0  | 12.0 | —    | 12.0 | —    | —    | —      | —     | 100     |
| 245 Fish and Sea Animal Oils   | 10                        | —    | —     | —     | —    | 100  | —    | —    | —    | —      | —     | 100     |
| 403 Poles, Posts, etc.         | 37                        | 45.9 | 45.9  | —     | —    | 8.2  | —    | —    | —    | —      | —     | 100     |
| 411 Lumber                     | 301                       | 19.6 | 18.9  | 9.6   | 9.0  | 35.9 | 7.0  | —    | —    | —      | —     | 100     |
| 415 Plywood                    | 98                        | 10.2 | 15.3  | 6.1   | 4.1  | 33.7 | 27.6 | 3.0  | —    | —      | —     | 100     |
| 563 Lead-Zinc Bar              | 34                        | 38.2 | —     | —     | —    | 46.1 | 14.7 | —    | —    | —      | —     | 100     |
| 763 Food N.O.S.                | 32                        | 12.5 | 56.2  | 12.5  | —    | 18.8 | —    | —    | —    | —      | —     | 100     |
| 665 Paper N.O.S.               | 13                        | 30.7 | 23.1  | 23.1  | —    | 23.1 | —    | —    | —    | —      | —     | 100     |

\*More Than 3 Carloads.

Source: WAYBILL ANALYSIS, Carload All-Rail Traffic, 1957. Board of Transport Commissioners.

TABLE VI A  
ESTIMATED TONNAGE, REVENUE AND LENGTH OF HAUL FOR CARLOAD SHIPMENTS  
ORIGINATING AND TERMINATING (INCLUDING INTRA-PROVINCIAL TRAFFIC) BRITISH COLUMBIA, 1957

| COMMODITY GROUP                           | Tonnage (000's) | Revenue (\$000's) | Ton Miles (000's) | Average Haul Per Ton (Miles) |
|---|-----------------|-------------------|-------------------|------------------------------|
| I Agricultural Products                   | 47.5            | 267.4             | 43,595.0          | 917.0                        |
| Less statutory rate into British Columbia | (4.8)           | (73.8)            | (4,478.0)         | (926.3)                      |
| II Animals and Animal Products            | 1.5             | 47.4              | 2,355.0           | 1,579.5                      |
| III Mine Products                         | 28.2            | 126.6             | 10,228.0          | 362.3                        |
| IV Forest Products                        | 18.7            | 311.7             | 21,696.0          | 1,157.8                      |
| V Manufactures and Miscellaneous          | 25.4            | 747.3             | 31,403.0          | 1,238.4                      |
| TOTAL                                     | 121.3           | 1,500.4           | 109,276.0         | 900.4                        |
| Less statutory rate into British Columbia | (78.6)          | (1,306.9)         | (70,059.0)        | (890.7)                      |

Source: Carload All-Rail Traffic By Types of Rates distributed between Provinces by major commodity groups.

WAYBILL ANALYSIS, 1957, Board of Transport Commissioners.

Compiled by Bureau of Economics and Statistics, Victoria, British Columbia.





TABLE VI B  
ESTIMATED TONNAGE, FREIGHT REVENUE AND AVERAGE LENGTH OF HAUL  
FOR CARLOAD SHIPMENTS ORIGINATING OR TERMINATING IN BRITISH COLUMBIA, 1957

| COMMODITY GROUP                       | TONNAGE<br>(Tons) |          |          | REVENUE<br>(Dollars) |         |        | TON MILES  |            |           | AVERAGE HAUL<br>PER TON<br>(Miles) |         |        |
|---------------------------------------|-------------------|----------|----------|----------------------|---------|--------|------------|------------|-----------|------------------------------------|---------|--------|
|                                       | Into              | Out      | Within   | Into                 | Out     | Within | Into       | Out        | Within    | Into                               | Out     | Within |
| Agricultural Products.....            | 45,589.3          | 1,018.6  | 929.9    | 228,015              | 34,381  | 5,015  | 41,731,965 | 1,307,706  | 555,181   | 915                                | 1,283.8 | 597.0  |
| (Less statutory rates into B.C.)..... | 2,885.5           | —        | —        | 34,369               | —       | —      | 2,614,998  | —          | —         | 906.2                              | —       | —      |
| Animals and Animal Products.....      | 885.3             | 481.2    | 124.2    | 29,382               | 16,708  | 1,354  | 1,087,354  | 1,242,111  | 25,187    | 1,228.2                            | 2,581.2 | 202.7  |
| Mine Products.....                    | 7,344.0           | 2,973.3  | 17,909.7 | 47,957               | 20,760  | 57,914 | 5,160,131  | 2,862,455  | 2,205,016 | 702.6                              | 962.7   | 123.1  |
| Forest Products.....                  | 30.5              | 11,902.6 | 6,805.9  | 959                  | 302,111 | 8,654  | 44,743     | 21,045,637 | 605,881   | 1,466.9                            | 1,768.1 | 89.0   |
| Manufactures and Miscellaneous.....   | 10,664.7          | 7,170.0  | 7,522.8  | 428,989              | 240,874 | 77,465 | 18,280,217 | 10,454,405 | 2,668,615 | 1,714.0                            | 1,458.0 | 354.7  |
| TOTAL.....                            | 64,513.8          | 23,545.7 | 735,302  | 614,834              | 150,402 | —      | 66,304,410 | 36,912,314 | 6,059,880 | 1,027.7                            | 1,567.6 | 182.0  |
| Less statutory rates into B.C.).....  | 21,810            | —        | —        | 541,656              | —       | —      | 27,187,443 | —          | —         | 1,246.5                            | —       | —      |

Source: Carload All-Rail Traffic By Types of Rates distributed between Provinces by major commodity groups.  
WAYBILL ANALYSIS, 1957, Board of Transport Commissioners.

TABLE VIC  
CLASS RATES  
ESTIMATED TONNAGE, FREIGHT REVENUE AND AVERAGE LENGTH OF HAUL  
FOR CARLOAD SHIPMENTS ORIGINATING OR TERMINATING IN BRITISH COLUMBIA, 1957

| COMMODITY GROUP                     | TONNAGE<br>(Tons) |         |         | REVENUE<br>(Dollars) |        |        | AVERAGE HAUL<br>PER TON<br>(Miles) |         |        |
|-------------------------------------|-------------------|---------|---------|----------------------|--------|--------|------------------------------------|---------|--------|
|                                     | Into              | Out     | Within  | Into                 | Out    | Within | Into                               | Out     | Within |
| Agricultural Products.....          | —                 | 67.9    | 11.5    | —                    | 2,316  | 149    | —                                  | 721     | 418    |
| Animals and Animal Products.....    | 39.1              | 10.1    | 99.0    | 1,134                | 190    | 1,190  | 724.5                              | 496     | 237.8  |
| Mine Products.....                  | —                 | —       | 76.8    | —                    | —      | 507    | —                                  | —       | 116.9  |
| Forest Products.....                | —                 | 20.2    | 44.0    | —                    | 654    | 238    | —                                  | 780     | 103    |
| Manufactures and Miscellaneous..... | 385.6             | 1,668.0 | 872.8   | 25,062               | 68,108 | 11,403 | 1,622.7                            | 1,023   | 225.5  |
| TOTAL.....                          | 424.7             | 1,766.2 | 1,104.1 | 26,196               | 71,268 | 13,487 | 1,540                              | 1,005.6 | 216.2  |

Source: Carload All-Rail Traffic By Types of Rates distributed between Provinces by major commodity groups.  
WAYBILL ANALYSIS, 1957, Board of Transport Commissioners.



TABLE VI D  
NON-COMPETITIVE COMMODITY RATES  
ESTIMATED TONNAGE, REVENUE AND LENGTH OF HAUL  
FOR CARLOAD SHIPMENTS ORIGINATING OR TERMINATING IN BRITISH COLUMBIA, 1957

| COMMODITY GROUP                     | TONNAGE<br>(Tons) |          |          | REVENUE<br>(Dollars) |         |        | AVERAGE HAUL<br>PER TON<br>(Miles) |         |        |
|-------------------------------------|-------------------|----------|----------|----------------------|---------|--------|------------------------------------|---------|--------|
|                                     | Into              | Out      | Within   | Into                 | Out     | Within | Into                               | Out     | Within |
| Agricultural Products.....          | 2,755.2           | 553.8    | 441.6    | 32,064               | 21,226  | 1,626  | 909.6                              | 1,396.6 | 85.3   |
| Animals and Animal Products.....    | 562.0             | 54.7     | 25.2     | 14,072               | 2,127   | 164    | 798.1                              | 1,539.0 | 65     |
| Mine Products.....                  | 7,211.6           | 2,810.3  | 17,769.9 | 45,209               | 20,304  | 56,980 | 691.9                              | 1,011.4 | 123.3  |
| Forest Products.....                | 30.5              | 5,182.0  | —        | 959                  | 95,986  | —      | 1,466.9                            | 833.5   | —      |
| Manufactures and Miscellaneous..... | 3,429.6           | 3,516.0  | 3,502.3  | 54,306               | 99,310  | 30,198 | 804.6                              | 1,353.4 | 392.9  |
| TOTAL.....                          | 13,988.9          | 12,116.3 | 21,739.0 | 146,610              | 238,953 | 88,968 | 768.4                              | 1,054.5 | 165.9  |

Source: Carload All-Rail Traffic By Types of Rates distributed between Provinces by major commodity groups.  
WAYBILL ANALYSIS, 1957, Board of Transport Commissioners.

TABLE VI E  
COMMODITY COMPETITIVE RATES  
ESTIMATED TONNAGE, REVENUE AND LENGTH OF HAUL  
FOR CARLOAD SHIPMENTS ORIGINATING OR TERMINATING IN BRITISH COLUMBIA, 1957

| COMMODITY GROUP                     | TONNAGE<br>(Tons) |         |         | REVENUE<br>(Dollars) |         |        | AVERAGE HAUL<br>PER TON<br>(Miles) |         |        |
|-------------------------------------|-------------------|---------|---------|----------------------|---------|--------|------------------------------------|---------|--------|
|                                     | Into              | Out     | Within  | Into                 | Out     | Within | Into                               | Out     | Within |
| Agricultural Products.....          | 126.7             | 94.6    | 82.7    | 2,164                | 4,419   | 590    | 803.8                              | 1,139.3 | 208.3  |
| Animals and Animal Products.....    | 20.5              | 323.1   | —       | 713                  | 10,661  | —      | 598.1                              | 2,790.8 | —      |
| Mine Products.....                  | 73.9              | 163.0   | 63.0    | 1,688                | 456     | 427    | 1,532.9                            | 122.2   | 77.0   |
| Forest Products.....                | —                 | 6,163.6 | 6,696.5 | —                    | 189,355 | 7,647  | —                                  | 2,545.0 | 86.0   |
| Manufactures and Miscellaneous..... | 2,494.2           | 1,227.1 | 1,641.6 | 128,618              | 44,402  | 18,013 | 2,363.4                            | 2,140.1 | 354.0  |
| TOTAL.....                          | 2,715.3           | 7,971.4 | 8,483.8 | 133,183              | 249,293 | 26,677 | 2,254.7                            | 2,426   | 139.0  |

Source: Carload All-Rail Traffic By Types of Rates distributed between Provinces by major commodity groups.  
WAYBILL ANALYSIS, 1957, Board of Transport Commissioners.





TABLE VI F  
AGREED CHARGES  
ESTIMATED TONNAGE, REVENUE AND LENGTH OF HAUL FOR CARLOAD SHIPMENTS ORIGINATING OR TERMINATING IN BRITISH COLUMBIA, 1957,

| COMMODITY GROUP                     | TONNAGE<br>(Tons) |       |         | REVENUE<br>(Dollars) |        |        | AVERAGE HAUL<br>PER TON<br>(Miles) |         |        |
|-------------------------------------|-------------------|-------|---------|----------------------|--------|--------|------------------------------------|---------|--------|
|                                     | Into              | Out   | Within  | Into                 | Out    | Within | Into                               | Out     | Within |
| Agricultural Products.....          | —                 | —     | —       | —                    | —      | —      | —                                  | —       | —      |
| Animals and Animal Products.....    | 126.5             | 93.3  | —       | 6,951                | 3,730  | —      | 2,769.9                            | 2,692.3 | —      |
| Mine Products.....                  | —                 | —     | —       | —                    | —      | —      | —                                  | —       | —      |
| Forest Products.....                | —                 | —     | —       | —                    | —      | —      | —                                  | —       | —      |
| Manufactures and Miscellaneous..... | 3,437.0           | 469.9 | 1,363.3 | 145,865              | 16,253 | 15,131 | 1,927.9                            | 2,156.5 | 324.9  |
| TOTAL.....                          | 3,563.5           | 557.2 | 1,363.3 | 152,816              | 19,983 | 15,131 | 1,957.8                            | 2,246.2 | 324.9  |

TABLE VI G  
MIXED SHIPMENTS  
ESTIMATED TONNAGE, REVENUE AND LENGTH OF HAUL FOR CARLOAD SHIPMENTS ORIGINATING OR TERMINATING IN BRITISH COLUMBIA, 1957

| COMMODITY GROUP                     | TONNAGE<br>(Tons) |       |        | REVENUE<br>(Dollars) |        |        | AVERAGE HAUL<br>PER TON<br>(Miles) |         |        |
|-------------------------------------|-------------------|-------|--------|----------------------|--------|--------|------------------------------------|---------|--------|
|                                     | Into              | Out   | Within | Into                 | Out    | Within | Into                               | Out     | Within |
| Agricultural Products.....          | 3.6               | 147.3 | 15.4   | 141                  | 5,241  | 328    | 1,883.8                            | 748.4   | 541.1  |
| Animals and Animal Products.....    | 137.2             | —     | —      | 6,512                | —      | —      | 1,806.1                            | —       | —      |
| Mine Products.....                  | 58.5              | —     | —      | 1,060                | —      | —      | 971.0                              | —       | —      |
| Forest Products.....                | —                 | 536.8 | 65.4   | —                    | 16,116 | 769    | —                                  | 1,907.0 | 384.0  |
| Manufactures and Miscellaneous..... | 918.3             | 295.0 | 142.8  | 75,138               | 12,801 | 2,720  | 2,584.6                            | 1,228.6 | 499.5  |
| TOTAL.....                          | 1,117.6           | 979.1 | 223.6  | 82,851               | 34,158 | 3,817  | 2,402.3                            | 1,528.2 | 468.6  |

TABLE VI H  
STATUTORY RATES  
ESTIMATED TONNAGE, REVENUE AND LENGTH OF HAUL FOR CARLOAD SHIPMENTS ORIGINATING OR TERMINATING IN BRITISH COLUMBIA, 1957

| COMMODITY GROUP                     | TONNAGE<br>(Tons) |       |        | REVENUE<br>(Dollars) |       |        | AVERAGE HAUL<br>PER TON<br>(Miles) |         |         |
|-------------------------------------|-------------------|-------|--------|----------------------|-------|--------|------------------------------------|---------|---------|
|                                     | Into              | Out   | Within | Into                 | Out   | Within | Into                               | Out     | Within  |
| Agricultural Products.....          | 42,703.8          | 155.0 | 378.7  | 193,646              | 1,179 | 2,322  | 916.0                              | 1,724.4 | 1,286.3 |
| Animals and Animals Products.....   | —                 | —     | —      | —                    | —     | —      | —                                  | —       | —       |
| Mine Products.....                  | —                 | —     | —      | —                    | —     | —      | —                                  | —       | —       |
| Forest Products.....                | —                 | —     | —      | —                    | —     | —      | —                                  | —       | —       |
| Manufactures and Miscellaneous..... | —                 | —     | —      | —                    | —     | —      | —                                  | —       | —       |
| TOTAL.....                          | 42,703.8          | 155.0 | 378.7  | 193,646              | 1,179 | 2,322  | 916.0                              | 1,724.4 | 1,286.3 |

Source: Carload All-Rail Traffic By Types of Rates distributed between Provinces by major commodity groups.  
WAYBILL ANALYSIS, 1957, Board of Transport Commissioners.



The dependence on distant markets is clearly indicated, and reinforced by the data of Tables VI and VI A-H.

Tables VI A-H show the average length of haul for freight originating and terminating in British Columbia. It is seen that the average length of hauls were: animals and animal products, 1,579 miles; manufactures, 1,238 miles; and for forest products, 1,157 miles. Table VI B shows the average length of haul for outgoing forest products to be 1,768 miles and for manufactures 1,458 miles, while incoming manufactures travelled an average of 1,714 miles. These are facts which must seriously be reckoned with by the consumers and shippers of British Columbia—facts which have great bearing on the prosperity of the province.

The disadvantages to long haul traffic were clearly seen by Commissioner Innis in the Turgeon Report:

"Minimum losses on both railways attributable to the Crowsnest Pass rates \$27,500,000, passenger traffic \$16,000,000 and competition from trucks \$120,000,000 possibly involves a total of \$163,500,000. This amount cannot be allocated specifically to long haul traffic but the statutory character of Crowsnest Pass rates, competition from water and truck in the St. Lawrence, and to some extent in the Maritime regions, and the inability to regulate competition of such transportation under provincial jurisdiction, and competition from the motor vehicle and air transport in passenger traffic, imply that rates will be borne to an important extent by long haul traffic notable in relatively non-competitive territory such as the Western provinces with little prospect of relief by decisions of the Board."<sup>2</sup>

Further trading characteristics of the province

TABLE VII  
REVENUE FREIGHT CARRIED BY  
RAILWAYS ORIGINATING IN BRITISH COLUMBIA, 1957

| COMMODITY                                     | Tons Originated in B.C.<br>% of grand total | Commodities constituting over 1% of<br>grand total |
|---|---|--|
| Total products of agriculture (C.L.).....     | 3.441                                       |  |
| Total animals and products.....               | 0.688                                       |  |
| Total products of mines (C.L.).....           | 20.317                                      |  |
| Coke.....                                     |   | 1.261  |
| Copper ore and concentrates.....              |   | 5.053  |
| Lead ore and concentrates.....                |   | 1.795  |
| Zinc.....                                     |   | 3.431  |
| Phosphate rock.....                           |   | 2.481  |
| Total products of forests (C.L.).....         | 45.759                                      |  |
| Logs, butts and bolts.....                    |   | 8.569  |
| Posts, poles and pilings.....                 |   | 2.726  |
| Lumber, shingles and lath.....                |   | 30.318   |
| Veneer, plywood.....                          |   | 2.706  |
| Total manufactures and miscellaneous (C.L.).. | 28.802                                      |  |
| Gasoline.....                                 |   | 1.743  |
| Fuel, N.O.S.....                              |   | 1.254  |
| Fertilizers, N.O.S.....                       |   | 4.936  |
| Lead and zinc, bar ingot and pig.....         |   | 2.666  |
| Iron and steel pipe and footings, N.O.S.....  |   | 1.399  |
| Woodpulp.....                                 |   | 4.247  |
| GRAND TOTAL carload traffic.....              | 99.007                                      |  |
| All L.C.L. freight.....                       | .993  |  |
| GRAND TOTAL L.C.L. & C.L.....                 | 100.00                                      |  |

Source: ANNUAL SUMMARY OF MONTHLY FREIGHT TRAFFIC REPORTS, 1957.

can be seen from Table VII.

Table VII indicates the ranking of British Columbia's rail traffic and the pattern of the economy. The most important products shipped by rail are lumber, accounting for nearly 46 per

cent of total shipments, followed by manufactures, 30 per cent and products of mines, 20.3 per cent. In the manufactures group it is significant to note that the traffic was closely related to primary production, for example, fertilizer, zinc and woodpulp.

<sup>2</sup>"Memorandum on Transportation by Dr. H. A. Innis" REPORT OF THE ROYAL COMMISSION ON TRANSPORTATION, Ottawa, 1951. p. 306.





TABLE VIII  
CAR LOAD FREIGHT  
RAILWAY FREIGHT TRAFFIC IN BRITISH COLUMBIA BY MAJOR COMMODITY GROUPS  
FOR SELECTED YEARS 1950—1954—1958

| COMMODITY GROUPS   | Loaded at Stations in B.C. |                | Unloaded at Stations in B.C. |                | Delivered to Foreign Connections       |                | Net                |                    |
|--------------------|----------------------------|----------------|------------------------------|----------------|--|----------------|--------------------|--------------------|
|                    | Quantity                   | % Distribution | Quantity                     | % Distribution | Quantity                               | % Distribution | Export<br>via rail | Import<br>via rail |
| <b>1950</b>        |                            |                |                              |                |  |                |                    |                    |
| Agriculture.....   | 493,405                    | 4.99           | 669,831                      | 8.70           | 1,884,071                              | 53.02          | —                  | 176,426            |
| Animal.....        | 84,578                     | .85            | 134,771                      | 1.75           | 46,883                                 | 1.32           | —                  | 50,193             |
| Mine.....          | 4,087,959                  | 41.31          | 4,491,227                    | 58.33          | 393,187                                | 11.07          | —                  | 403,268            |
| Forest.....        | 3,272,306                  | 33.07          | 806,797                      | 10.48          | 566,776                                | 15.95          | 2,465,509          | —                  |
| Man. and Misc..... | 1,956,810                  | 19.78          | 1,596,749                    | 20.74          | 662,383                                | 18.64          | 360,061            | —                  |
| <b>TOTAL.....</b>  | <b>9,895,058</b>           | <b>100.00</b>  | <b>7,699,375</b>             | <b>100.00</b>  | <b>3,553,300</b>                       | <b>100.00</b>  | <b>2,195,683</b>   | <b>—</b>           |
| <b>1954</b>        |                            |                |                              |                |  |                |                    |                    |
| Agriculture.....   | 361,906                    | 3.26           | 741,276                      | 9.10           | 3,475,246                              | 65.33          | —                  | 379,370            |
| Animal.....        | 84,185                     | .76            | 132,453                      | 1.62           | 28,049                                 | .53            | —                  | 42,268             |
| Mine.....          | 3,644,520                  | 32.88          | 4,487,771                    | 55.09          | 329,041                                | 6.18           | —                  | 843,251            |
| Forest.....        | 4,570,761                  | 41.24          | 1,252,804                    | 15.38          | 548,236                                | 10.31          | 3,317,957          | —                  |
| Man. and Misc..... | 2,423,258                  | 21.86          | 1,532,163                    | 18.81          | 938,796                                | 17.65          | 891,093            | —                  |
| <b>TOTAL.....</b>  | <b>11,084,630</b>          | <b>100.00</b>  | <b>8,146,469</b>             | <b>100.00</b>  | <b>5,319,368</b>                       | <b>100.00</b>  | <b>2,938,161</b>   | <b>—</b>           |
| <b>1958</b>        |                            |                |                              |                | Delivered to<br>U.S. Rail Connections* |                |                    |                    |
| Agriculture.....   | 289,737                    | 2.87           | 5,414,100                    | 47.58          | 21,820                                 | 1.29           | —                  | 5,124,363          |
| Animal.....        | 61,586                     | .61            | 141,425                      | 1.24           | 26,425                                 | 1.57           | —                  | 79,839             |
| Mine.....          | 1,361,209                  | 13.49          | 1,848,565                    | 16.24          | 395,533                                | 23.43          | —                  | 487,356            |
| Forest.....        | 5,423,330                  | 53.74          | 1,646,207                    | 14.47          | 359,983                                | 21.32          | 3,777,123          | —                  |
| Man. and Misc..... | 2,956,142                  | 29.29          | 2,328,970                    | 20.47          | 884,507                                | 52.39          | 627,172            | —                  |
| <b>TOTAL.....</b>  | <b>10,092,004</b>          | <b>100.00</b>  | <b>11,379,267</b>            | <b>100.00</b>  | <b>1,688,268</b>                       | <b>100.00</b>  | <b>1,287,263</b>   | <b>—</b>           |

\*Since 1955

Source: ANNUAL SUMMARY—RAILWAY FREIGHT TRAFFIC, Dominion Bureau of Statistics, Ottawa.



Table VIII indicates the changes that have taken place in trading relationships since 1950, and the growing importance of lumber shipments.

British Columbia's net imports were mainly products of agriculture, animal and mine products, while forest products and manufactures formed the net exports.

**Transportation and the Economy of British Columbia**

British Columbia has her natural advantages in the proximity to tidewater and the mildness of

the coastal climate which are highly valued and for which British Columbians pay a high price. These natural advantages are offset by disadvantages such as the remoteness from markets and sources of supply. The cost of remoteness is, of course, one of the accepted facts of life in British Columbia, but this cost has been disproportionate and constitutes an undue burden as a result of freight rate increases.

This cost of remoteness is vividly brought out by Table IX.

TABLE IX  
AVERAGE FREIGHT COST PER TON AND AVERAGE LENGTH OF HAUL BY PROVINCE ORIGINATED, 1957

| Province Originated       | Average Haul (miles) | Average Revenue per ton |
|---------------------------|----------------------|-------------------------|
| British Columbia.....     | 739.0                | \$12.2                  |
| Prince Edward Island..... | 619.2                | 9.2                     |
| Alberta.....              | 442.4                | 8.1                     |
| Saskatchewan.....         | 386.6                | 6.9                     |
| Manitoba.....             | 295.4                | 6.2                     |
| Quebec.....               | 251.1                | 6.1                     |
| Ontario.....              | 275.7                | 5.7                     |
| New Brunswick.....        | 315.7                | 5.4                     |
| Newfoundland.....         | 99.0                 | 3.4                     |
| Nova Scotia.....          | 239.8                | 2.9                     |
| Canada.....               | 325.6                | 6.3                     |

Source: Table X.

Table IX reveals that the cost of reaching the market for British Columbia's shippers was, on the average, twice as high as the average for all Canadian shippers. It was also \$4 per ton more than the freight charge per ton for the next highest western province, Alberta, thus refuting the

popular conception that British Columbia has low freight charges vis-a-vis intermediate points. In fact, British Columbia's freight charges were more than one-third higher than Alberta's, indicating a form of one and one-third rule in reverse!

EXHIBIT NO: IX A

AVERAGE FREIGHT COST PER TON AND AVERAGE LENGTH OF HAUL  
OF ALL FREIGHT, BY PROVINCE OF DESTINATION

1957

| Province             | Average Haul | Average Revenue |
|----------------------|--------------|-----------------|
|                      | Miles        | \$ per ton      |
| British Columbia     | 560.8        | 10.9            |
| Alberta              | 417.7        | 11.8            |
| Saskatchewan         | 344.4        | 8.8             |
| Manitoba             | 372.6        | 7.8             |
| Ontario              | 246.4        | 4.6             |
| Quebec               | 349.1        | 6.6             |
| New Brunswick        | 440.5        | 6.1             |
| Nova Scotia          | 303.2        | 3.8             |
| Prince Edward Island | 249.9        | 5.2             |
| Newfoundland         | 170.6        | 5.7             |
| Canada               | 325.6        | 6.3             |

Source: "Carload All-Rail Traffic by Rate, Distributed between Provinces"

Waybill Analysis, 1957

Board of Transport Commissioners, Ottawa

Compiled by the Bureau of Economics and Statistics, Victoria, B.C.





**TABLE X**  
**DISTANCE AND COST CHARACTERISTICS PER TON OF TOTAL SHIPMENTS**  
**COMMODITY NON-COMPETITIVE, COMPETITIVE AND AGREED CHARGE RATES BY PROVINCE, 1957**

| RATE<br>CATEGORY            | Canada | B.C.    | Alta. | Sask. | Man.  | Ont.  | Que.  | N.B.  | N.S.    | P.E.I. | Nfld. |
|-----------------------------|--------|---------|-------|-------|-------|-------|-------|-------|---------|--------|-------|
| Commodity Non-Competitive.. |        |         |       |       |       |       |       |       |         |        |       |
| Average Haul Miles.....     | 338.9  | 483.9   | 569.6 | 439.4 | 499.0 | 268.8 | 330.4 | 291.1 | 243.4   | 255.5  | 122.9 |
| Average Revenue \$.....     | 6.1    | 9.6     | 9.0   | 7.0   | 9.1   | 4.9   | 7.4   | 5.4   | 2.7     | 6.7    | 5.0   |
| Commodity, Competitive      |        |         |       |       |       |       |       |       |         |        |       |
| Average Haul Miles.....     | 285.0  | 1,247.1 | 218.3 | 237.2 | 93.1  | 227.8 | 186.3 | 276.8 | 211.0   | 66.3   | 78.2  |
| Average Revenue \$.....     | 5.5    | 16.7    | 4.7   | 6.1   | 3.2   | 4.7   | 4.9   | 4.3   | 3.9     | 3.1    | 1.8   |
| Agreed Charge               |        |         |       |       |       |       |       |       |         |        |       |
| Average Haul Miles.....     | 375.1  | 882.3   | 272.3 | 290.3 | 111.4 | 520.0 | 194.1 | 613.1 | 1,177.3 | 102.2  | 51.8  |
| Average Revenue \$.....     | 9.9    | 18.2    | 9.6   | 6.7   | 3.8   | 14.7  | 5.3   | 9.4   | 24.2    | 12.9   | 4.0   |
| TOTAL                       |        |         |       |       |       |       |       |       |         |        |       |
| 3 Rate Categories           |        |         |       |       |       |       |       |       |         |        |       |
| Average Haul Miles.....     | 325.0  | 739.0   | 399.6 | 386.6 | 295.4 | 275.7 | 251.1 | 315.7 | 239.8   | 619.2  | 99.0  |
| Average Revenue \$.....     | 6.3    | 12.2    | 8.1   | 6.9   | 6.2   | 5.7   | 6.1   | 5.4   | 2.9     | 9.2    | 3.4   |

Source: "Carload All-Rail Traffic by Type of Rate Distributed between Provinces by major commodity groups"

WAYBILL ANALYSIS, 1957, Board of Transport Commissioners, Ottawa.

Compiled by Bureau of Economics and Statistics, Victoria, B.C.

**TABLE X A**  
**AGREED CHARGES**  
**DISTANCE AND COST CHARACTERISTICS OF TOTAL SHIPMENTS BY PROVINCES**  
**AVERAGE REVENUE PER TON (Dollars)**

| COMMODITY GROUP              | Canada | B.C. | Alta. | Sask. | Man. | Ont. | Que. | N.B. | N.S. | P.E.I. | Nfld. |
|------------------------------|--------|------|-------|-------|------|------|------|------|------|--------|-------|
| Products of Agriculture..... | 10.9   | —    | —     | 10.7  | —    | 4.6  | —    | 10.7 | —    | 12.9   | —     |
| Animal Products.....         | 44.8   | 39.9 | —     | 20.0  | —    | 52.2 | 59.9 | —    | —    | —      | —     |
| Products of Mines.....       | 3.8    | —    | —     | 3.7   | 5.6  | 4.1  | 4.0  | —    | 3.6  | —      | —     |
| Forest Products.....         | 5.0    | —    | —     | —     | —    | 4.4  | 5.5  | —    | —    | —      | —     |
| Man./Misc.....               | 10.2   | 17.1 | 9.6   | 8.2   | 3.8  | 15.3 | 5.2  | 8.2  | 42.3 | —      | 4.0   |
| Average.....                 | 9.9    | 18.2 | 9.6   | 6.7   | 3.9  | 14.7 | 5.3  | 9.4  | 24.2 | 12.9   | 4.0   |

Source: "Carload All-Rail Traffic by Type of Rate distributed between Provinces by major commodity groups"

WAYBILL ANALYSIS, 1957, Board of Transport Commissioners, Ottawa.

Compiled by Bureau of Economics and Statistics, Victoria, B.C.

**TABLE X B**  
**AGREED CHARGES**  
**DISTANCE AND COST CHARACTERISTICS OF TOTAL SHIPMENTS BY PROVINCES**  
**AVERAGE HAUL PER TON (Miles)**

| COMMODITY GROUP              | Canada  | B.C.    | Alta. | Sask. | Man.  | Ont.    | Que.    | N.B.  | N.S.    | P.E.I. | Nfld. |
|------------------------------|---------|---------|-------|-------|-------|---------|---------|-------|---------|--------|-------|
| Products of Agriculture..... | 70.8    | —       | —     | 265.0 | —     | 134.4   | —       | 568.5 | —       | 102.0  | —     |
| Animal Products.....         | 2,336.3 | 2,692.3 | —     | 898.1 | —     | 2,393.4 | 2,877.9 | —     | —       | —      | —     |
| Products of Mines.....       | 415.5   | —       | —     | 390.2 | 614.4 | 475.1   | 146.0   | —     | 405.0   | —      | —     |
| Forest Products.....         | 248.8   | —       | —     | —     | —     | 202.9   | 291.9   | —     | —       | —      | —     |
| Man./Misc.....               | 348.8   | 789.9   | 272.3 | 234.8 | 102.7 | 519.0   | 189.2   | 649.9 | 1,852.3 | —      | 51.8  |
| Average.....                 | 375.1   | 882.3   | 272.3 | 290.3 | 111.4 | 520.0   | 194.1   | 613.1 | 1,177.3 | 102.0  | 51.8  |

Source: "Carload All-Rail Traffic by Type of Rate distributed between Provinces by major commodity groups"

WAYBILL ANALYSIS, 1957, Board of Transport Commissioners, Ottawa.

Compiled by Bureau of Economics and Statistics, Victoria, B.C.

**TABLE X C**  
**COMMODITY COMPETITIVE RATE**  
**DISTANCE AND COST CHARACTERISTICS OF TOTAL SHIPMENTS BY PROVINCES**  
**AVERAGE HAUL PER TON (Miles)**

| COMMODITY GROUP              | Canada | B.C.    | Alta.   | Sask. | Man.  | Ont.  | Que.  | N.B.  | N.S.  | P.E.I. | Nfld. |
|------------------------------|--------|---------|---------|-------|-------|-------|-------|-------|-------|--------|-------|
| Products of Agriculture..... | 227.2  | 705.1   | 102.7   | 810.3 | 62.4  | 307.2 | 97.6  | 373.8 | 650.9 | —      | —     |
| Animal Products.....         | 692.7  | 2,790.8 | 689.1   | 329.3 | 414.0 | 245.1 | 287.1 | 241.7 | 166.8 | 111.8  | —     |
| Products of Mines.....       | 90.7   | 109.6   | 115.9   | 148.7 | 26.2  | 86.4  | 81.6  | 181.0 | 304.2 | —      | 22.6  |
| Forest Products.....         | 765.4  | 1,264.6 | 1,610.8 | —     | —     | 177.8 | 200.8 | 316.5 | 102.0 | —      | 84.0  |
| Man./Misc.....               | 401.5  | 1,118.1 | 227.2   | 260.3 | 499.8 | 452.5 | 342.2 | 355.3 | 165.5 | 47.2   | 402.5 |
| Average.....                 | 285    | 1,247.1 | 218.3   | 237.2 | 93.1  | 227.8 | 186.3 | 276.8 | 211.0 | 66.3   | 78.2  |

Source: "Carload All-Rail Traffic by Type of Rate Distributed between Provinces by major commodity groups"

WAYBILL ANALYSIS, 1957, Board of Transport Commissioners, Ottawa.

Compiled by Bureau of Economics and Statistics, Victoria, B.C.



TABLE X D  
COMMODITY COMPETITIVE RATE  
DISTANCE AND COST CHARACTERISTICS OF TOTAL SHIPMENTS BY PROVINCES  
AVERAGE REVENUE PER TON (Dollars)

| COMMODITY GROUP           | Canada | B.C. | Alta. | Sask. | Man. | Ont. | Que. | N.B. | N.S. | P.E.I. | Nfld. |
|---------------------------|--------|------|-------|-------|------|------|------|------|------|--------|-------|
| Products of Agriculture.. | 4.3    | 28.2 | 3.5   | 12.3  | 1.7  | 4.7  | 3.1  | 10.8 | 13.2 | —      | —     |
| Animal Products.....      | 16.7   | 32.9 | 29.9  | 16.6  | 15.6 | 11.6 | 11.4 | 9.0  | 7.5  | 5.6    | —     |
| Products of Mines.....    | 1.4    | 3.9  | 2.2   | 2.5   | 0.7  | 1.3  | 1.7  | 1.6  | 2.7  | —      | 0.8   |
| Forest Products.....      | 9.6    | 15.3 | 19.0  | —     | —    | 2.9  | 3.9  | 3.6  | 4.5  | —      | 1.8   |
| Man./Misc.....            | 9.8    | 21.7 | 5.7   | 8.2   | 18.4 | 10.7 | 9.5  | 6.8  | 4.3  | 2.1    | 8.0   |
| Average.....              | 5.5    | 16.7 | 4.7   | 6.1   | 3.2  | 4.7  | 4.9  | 4.3  | 3.9  | 3.1    | 1.8   |

Source: "Carload All-Rail Traffic by Type of Rate distributed between Provinces by major commodity groups"  
WAYBILL ANALYSIS, 1957, Board of Transport Commissioners, Ottawa.  
Compiled by Bureau of Economics and Statistics, Victoria, B.C.

TABLE X E  
COMMODITY NON-COMPETITIVE RATE  
DISTANCE AND COST CHARACTERISTICS OF TOTAL SHIPMENTS BY PROVINCES  
AVERAGE HAUL PER TON (Miles)

| COMMODITY GROUP           | Canada  | B.C.    | Alta.   | Sask.   | Man.    | Ont.  | Que.  | N.B.  | N.S.  | P.E.I. | Nfld. |
|---------------------------|---------|---------|---------|---------|---------|-------|-------|-------|-------|--------|-------|
| Products of Agriculture.. | 636.1   | 814.9   | 423.9   | 436.5   | 857.3   | 770.9 | 253.2 | 311.2 | 653.7 | 258.5  | 81.7  |
| Animal Products.....      | 1,245.2 | 1,074.1 | 1,407.0 | 1,324.7 | 1,314.3 | 326.7 | 663.2 | 629.8 | 934.3 | —      | —     |
| Products of Mines.....    | 204.8   | 244.5   | 528.2   | 324.6   | 367.0   | 96.1  | 254.7 | 162.7 | 173.2 | 87.0   | 48.4  |
| Forest Products.....      | 303.2   | 833.5   | 401.8   | 352.1   | 279.6   | 201.3 | 292.9 | 305.7 | 237.9 | 376.0  | 83.7  |
| Man./Misc.....            | 567.7   | 874.1   | 572.7   | 891.9   | 589.7   | 553.5 | 477.8 | 393.7 | 692.4 | 280.5  | 161.2 |
| Average.....              | 338.9   | 483.9   | 569.6   | 439.4   | 499.0   | 268.8 | 330.4 | 291.1 | 243.4 | 255.5  | 122.9 |

Source: "Carload All-Rail Traffic by Type of Rate distributed between Provinces by major commodity groups"  
WAYBILL ANALYSIS, 1957, Board of Transport Commissioners, Ottawa.  
Compiled by Bureau of Economics and Statistics, Victoria, B.C.

TABLE X F  
COMMODITY NON-COMPETITIVE RATE  
DISTANCE AND COST CHARACTERISTICS OF TOTAL SHIPMENTS BY PROVINCES  
AVERAGE REVENUE PER TON (Dollars)

| COMMODITY GROUP           | Canada | B.C. | Alta. | Sask. | Man. | Ont. | Que. | N.B. | N.S. | P.E.I. | Nfld. |
|---------------------------|--------|------|-------|-------|------|------|------|------|------|--------|-------|
| Products of Agriculture.. | 7.7    | 22.9 | 7.8   | 7.0   | 11.0 | 7.3  | 3.8  | 7.8  | 18.7 | 7.4    | 5.4   |
| Animal Products.....      | 38.2   | 28.6 | 43.8  | 38.8  | 43.6 | 11.9 | 20.3 | 17.3 | 21.5 | —      | —     |
| Products of Mines.....    | 2.6    | 3.7  | 5.0   | 4.2   | 4.8  | 1.6  | 4.4  | 1.9  | 1.4  | 1.8    | 2.0   |
| Forest Products.....      | 5.9    | 18.5 | 8.7   | 7.6   | 4.4  | 4.2  | 5.2  | 4.8  | 4.2  | 4.7    | 2.6   |
| Man./Misc.....            | 13.6   | 18.4 | 12.8  | 13.8  | 12.3 | 14.8 | 14.2 | 9.1  | 9.7  | 5.9    | 6.6   |
| Average.....              | 6.1    | 9.6  | 9.0   | 7.0   | 9.1  | 4.9  | 7.4  | 5.4  | 2.7  | 6.7    | 5.0   |

Source: "Carload All-Rail Traffic by Type of Rate distributed between Provinces by major commodity groups"  
WAYBILL ANALYSIS, 1957, Board of Transport Commissioners, Ottawa.  
Compiled by Bureau of Economics and Statistics, Victoria, B.C.





Further breakdown of Table X is given in Table XI and shows the disparity of British Columbia's freight charges by rate group as follows:

British Columbia's agreed charges are higher per ton than for all other provinces except Nova Scotia and twice as high as those for

TABLE XI  
AVERAGE FREIGHT CHARGE PER TON BY RATE GROUP, BY ORIGINATING PROVINCE, 1957

| Province                  | Rate Group    |                       |                           |
|---------------------------|---------------|-----------------------|---------------------------|
|                           | Agreed Charge | Commodity Competitive | Commodity Non-competitive |
| British Columbia.....     | 18.2          | 16.7                  | 9.6                       |
| Alberta.....              | 9.6           | 4.7                   | 9.0                       |
| Saskatchewan.....         | 6.7           | 6.1                   | 7.0                       |
| Manitoba.....             | 3.9           | 3.2                   | 9.1                       |
| Ontario.....              | 14.7          | 4.7                   | 4.9                       |
| Quebec.....               | 5.3           | 4.9                   | 7.4                       |
| New Brunswick.....        | 9.4           | 4.3                   | 5.4                       |
| Nova Scotia.....          | 24.2          | 3.9                   | 2.7                       |
| Prince Edward Island..... | 12.9          | 3.1                   | 6.7                       |
| Newfoundland.....         | 4.0           | 1.8                   | 5.0                       |
| Canada.....               | 9.9           | 5.5                   | 6.1                       |

Source: Table X, X A-F

Alberta. Competitive rates per ton are for British Columbia three times as high as the Canadian average, while non-competitive charges are also higher than all provinces.

The cost of reaching British Columbia's markets is indeed high and is a disadvantage of shippers which has always been accepted. However, the cost has become disproportionate as the tables reveal, and any further freight rate increases for

the province, especially horizontal percentage increases, could well be disastrous for many producers. As has been said many times before, it is not the freight rates that cause the hardships but the cost per ton in reaching the market. A high freight rate in itself does not cause complaint but rather high transportation charges piled onto bulky, long haul shipments selling in competitive markets.

EXHIBIT NO. XI A  
AVERAGE FREIGHT CHARGE PER TON BY RATE GROUP  
FOR ALL FREIGHT, BY PROVINCE OF DESTINATION  
1957

| Province             | RATE GROUP    |             |                 |
|----------------------|---------------|-------------|-----------------|
|                      | Commodity     |             |                 |
|                      | Agreed Charge | Competitive | Non-Competitive |
|                      | \$            | \$          | \$              |
| British Columbia     | 34.1          | 14.3        | 6.6             |
| Alberta              | 19.0          | 4.9         | 13.5            |
| Saskatchewan         | 10.5          | 9.5         | 8.0             |
| Manitoba             | 10.6          | 3.5         | 9.0             |
| Ontario              | 6.0           | 4.5         | 4.4             |
| Quebec               | 4.1           | 5.9         | 7.6             |
| New Brunswick        | 13.4          | 5.9         | 6.1             |
| Nova Scotia          | 14.5          | 6.3         | 3.3             |
| Prince Edward Island | -             | 4.6         | 5.4             |
| Newfoundland         | 4.1           | 3.3         | 6.1             |
| Canada               | 9.9           | 5.5         | 6.1             |

Source: "Carload All-Rail Traffic by Rate, Distributed between Provinces"  
Waybill Analysis, 1957  
Board of Transport Commissioners, Ottawa  
Compiled by the Bureau of Economics and Statistics, Victoria, B.C.

Another facet of British Columbia's economy is that it is heavily dependent on foreign markets for its production, especially in sawn lumber and plywood, refined metals, fish and apples.

The ability to reach world markets as cheaply as possible is of concern not only to the province but to Canada as a whole. In moving goods to

foreign markets freight charges by rail are important as ocean shipping rates are closely competitive with rail rates. Goods moving to the United States are, of course, mainly dependent on rail rates. The British Columbia producers must be allowed to enter home markets on a reasonable basis in view of the very competitive



TABLE XII

APPROXIMATE EXPORTS OF SAWN AND PLANED SOFTWOODS (INCLUDING TIES, BOXBOARD, STAVES AND SHINGLES)  
FROM SELECTED COUNTRIES TO THE UNITED KINGDOM (1953-54 and 1957-58)  
(1,000 bd. ft.)

| YEAR                     | U.S.S.R. | Canada   | Sweden  | Finland  | Norway  |
|--------------------------|----------|----------|---------|----------|---------|
| Av. 1953/54.....         | 304,900  | 743,500  | 832,500 | 587,900  | 45,855  |
| Av. 1957/58.....         | 557,000  | 490,000  | 826,000 | 602,000  | 71,000  |
| Change.....              | +252,100 | -253,500 | - 6,500 | + 14,100 | +25,145 |
| Total market change..... |          | + 31,345 |         |          |         |
| Canada's loss.....       |          | -253,500 |         |          |         |

Source: Wm. Brandts (Timber) Ltd., London.

Note: A standard of 165 cu. ft. has been converted to 2,000 f.b.m.

overseas situation. Often producers have to accept lower margins overseas and need volume at home to ease the burden. Here transportation costs are vital in allowing or denying access to home markets.

The highly competitive situation of foreign markets for the products that British Columbia has to offer makes it essential that the prices be comparable with world prices. The vagaries of export markets and prices make imperative, access of British Columbia producers to markets at home. Only with assured Canadian consumption can producers hope to compete abroad.

The degree of foreign competition is intense. Salmon, lumber, fertilizers and metals are readily available from many sources on the world commodity markets. In this respect Table XII is of interest.

Table XII indicates that in the United Kingdom market in the period 1953/54 to 1957/58 Canada has lost exports of one-quarter billion board feet while Russia, Finland and Norway gained substantially in this growing market.

#### EXHIBIT NO: XII A

##### APPLE PRODUCTION - BRITISH COLUMBIA AS A

##### PERCENTAGE OF CANADIAN PRODUCTION, 1950-57<sup>1</sup>

| Year | %    |
|------|------|
| 1950 | 54.3 |
| 1951 | 37.5 |
| 1952 | 52.6 |
| 1953 | 51.2 |
| 1954 | 45.0 |
| 1955 | 37.8 |
| 1956 | 35.6 |
| 1957 | 48.7 |

##### DISTRIBUTION OF BRITISH COLUMBIA'S 1957 APPLE CROP<sup>2</sup>

##### (FRESH FRUIT)

|                    |                  |
|--------------------|------------------|
|                    | (Bushels)        |
| Domestic shipments | 3,155,652        |
| Export shipments   | <u>2,086,562</u> |
| TOTAL              | <u>5,242,214</u> |

Exports as percentage of total 40%

<sup>1</sup> Report of the Royal Commission on the Tree-Fruit Industry of British Columbia, October 1958, p. 207.

<sup>2</sup> British Columbia Fruit Board Circular No. S-57-9 June 4, 1959.

The European common market may well have disastrous consequences for British Columbia producers unless they remain competitive. A healthy home market encouraged by the lowest freight rates consistent with costs, is the best way to ensure Canada's interests in this sphere.

#### **British Columbia and National Policy**

British Columbia's natural disadvantages are compounded by reasons of national policy beyond the control of the province and to which regard should be given.





The location of the Intercolonial and the Canadian Pacific railway lines through Canada instead of through the United States of America, was dictated by national policy rather than by the minimization of transportation costs.

In this respect the study prepared for the Royal Commission on Dominion-Provincial Relations is pertinent:

"It is obvious that a railway connection between Central Canada and the Maritime Provinces, could be much shorter by crossing the State of Maine than by locating a line wholly in Canadian territory. It is also evident that from a strictly railway point of view the most logical connection between the Canadian North-West and British Columbia and Central Canada was by utilizing lines already constructed in the United States with which connection existed at the Ontario-Michigan border. As an alternative, a connection between Central Canada and British Columbia could have been provided by a line running from Sault Ste. Marie through northern Michigan, Minnesota, Manitoba and the Canadian Northwest, which would have permitted the tapping of the traffic possibilities of both United States and Canadian territories. Political considerations prevented any such course, as these lines would, in part, have remained outside the political jurisdiction of Canada.

The decision finally reached was to construct the required railway connections wholly through Canadian territory, although such a policy increased the distance to the Maritime Provinces by 250 miles, and on the western route meant traversing the wilderness and surmounting part of the Pre-Cambrian Shield north of the Great Lakes."<sup>3</sup>

The railways were constructed in uneconomic locations and became instruments of national policy. Although these aspects were considered by the Turgueon Commission, the disadvantages remain for the British Columbia shipper who must ship over a route to his markets which was more costly in construction and more circuitous than

it could have been. These disadvantages have been removed to some extent in the east by the Maritime Freight Rates Act but they still remain for British Columbia shippers who have to contend not only with the "economic desert" of the Rockies but also with the costly lines built for national considerations. Although no specific relief is asked for such as the Maritimes receive, it is urgent that British Columbia's position be considered and disadvantages such as the one and one-third rule, the Bridge subsidy, high charges due to Crownsnest rates, and passenger deficits alleviated.

It is unquestionable that it was for reasons of national policy that trade has been forced into an unnatural east-west direction. The natural markets and sources of supply for British Columbia are in the United States and yet the province is forced, through national policy, to trade over long distances to the east, thus paying high freights and high prices on incoming shipments. The natural communications and trade of British Columbia are with Seattle, Portland, Spokane, San Francisco and Los Angeles, all of which are near relative to comparable markets in Canada.

For example, straight line distances of selected towns from Vancouver and their populations are presented in Table XIII.

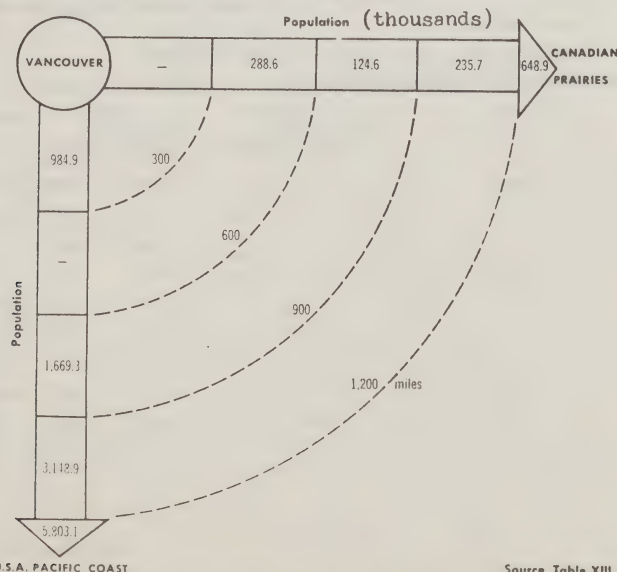
Figure 2 is a graphic representation of Table XIII showing that within 300 miles of Vancouver there are nearly a million people to the south in towns of over 50,000 population, while there are none in an easterly direction. Within 900 miles going south there are 1.7 million people while going east only 124.6 thousand.

Los Angeles is nearer than Winnipeg, and at the 1,200 mile level a market on the western coast of the United States of nearly six million people is available, compared with only 648.9 thousand in Canada. Even if Toronto and Montreal were included the market would be still less than half that available on the Pacific Coast.

British Columbians have to buy and sell in

FIGURE 2

POPULATION AND DISTANCES FROM VANCOUVER, CANADIAN PRAIRIES AND U.S.A. PACIFIC COAST  
(TOWNS OVER 50,000 POP.)



Source, Table XIII

<sup>3</sup>R.A.C. Henry and Associates, RAILWAY FREIGHT RATES IN CANADA. A study prepared for the Royal Commission in Dominion-Provincial Relations, Ottawa. 1939. pp. 12, 13.





TABLE XIII  
CITIES WITH POPULATIONS OVER 50,000 AND DISTANCES FROM VANCOUVER TO CANADIAN PRAIRIES  
AND U.S.A. PACIFIC COAST

| CITY                             | Distance from Vancouver <sup>1</sup><br>(miles) | Population <sup>2</sup><br>(th.) |
|----------------------------------|---|----------------------------------|
| Seattle <sup>3</sup> .....       | 117   | 611.3                            |
| Portland.....                    | 251   | 373.6                            |
| Calgary.....                     | 402   | 129.0                            |
| Edmonton.....                    | 519   | 159.6                            |
| Sacramento.....                  | 720   | 137.6                            |
| Saskatoon.....                   | 729   | 53.3                             |
| San Francisco <sup>4</sup> ..... | 770   | 1,440.0                          |
| Regina.....                      | 804   | 71.3                             |
| Fresno.....                      | 854   | 91.7                             |
| Los Angeles <sup>5</sup> .....   | 1,055   | 2,814.5                          |
| Winnipeg.....                    | 1,122   | 235.7                            |
| San Diego.....                   | 1,156   | 334.4                            |

<sup>1</sup>Note: Straight line distances.

<sup>2</sup>Source: CANADA YEAR BOOK, 1958-59, p. 125 as at 1951; STATISTICAL ABSTRACT OF THE UNITED STATES as at 1950.

<sup>3</sup>Incl. Tacoma, pop. 143.7.

<sup>4</sup>Incl. Oakland, pop. 384.6; Stockton, pop. 70.9; Berkeley, pop. 113.8; San Jose, pop. 95.3.

<sup>5</sup>Incl. Alameda, pop. 64.4; Burbank, pop. 78.6; Glendale, pop. 95.7; Long Beach, pop. 250.8; Pasadena, pop. 104.6; Alhambra, pop. 64.4; San Bernardino, pop. 63.0; Santa Monica, pop. 71.6; Southgate, pop. 51.0.

Canada because of tariff policies which distort the natural lines of trade. Import duties mean that British Columbia importers cannot take advantage of close sources of supply in the United States and so must pay high protected prices, inflated by long haul freight rates and percentage increases, to obtain similar goods from Eastern Canada. There is little chance of manufacturing these products in British Columbia as we lack a large local market and many of the special resources which would be necessary. The central provinces are the beneficiaries of this policy at the expense of western Canadians who are forced into consuming eastern manufactures.

Tariff retaliation on the part of the United States is successful in keeping many British Columbia products out of the United States market and so British Columbians are forced to sell in the distant prairie or the eastern market in order to pay for imports of manufactures therefrom. The tariff policy of Canada, together with national transportation policies, have had the effect of subsidizing the eastern manufacturers at the expense of the British Columbia consumer and the producers of basic commodities.

When these effects are superimposed upon the disadvantages of long hauls, bulky commodities and captive traffic common to British Columbia

produce, and the long hauls of imports, in addition to the ever-increasing burden of freight rates on this segment of traffic, the results are serious.

While the province agrees that a policy of keeping trade in an east-west direction is essential to the wellbeing of the Canadian nation, it is urged that British Columbians should not be made to pay unduly for the benefit of Canadians as a whole.

### **British Columbia's Dependence on Rail**

Shipments from British Columbia, being bulky, heavy and travelling long distances, are ideally suited to rail and are in many cases tied to railways as there is no reasonably competitive form of transportation for these types of commodities.

Roads are difficult and costly to build through the province, and so trucks going to eastern Canada travel via U.S.A. routes, paying licence fees in each state. As there are no reciprocal licence arrangements between the province and the several states or provinces, truck operation over long hauls is very costly and impractical for the types of commodities which British Columbia has to offer.

#### EXHIBIT NO: XIII A

ANNUAL LICENSE FEES PAYABLE BY B.C. BASED TRUCK  
(50,000 lbs. gross) IN REGULAR SERVICE BETWEEN VANCOUVER AND TORONTO<sup>1</sup>

| Territory        | Tractor |                     | Trailer |                     | Other fees        | Total            |
|------------------|---------|---------------------|---------|---------------------|-------------------|------------------|
|                  | License | Operating Authority | License | Operating Authority |                   |                  |
| British Columbia | \$755   | \$ 48               | \$ 10   |                     | Excise \$250 est. | \$ 813           |
| Washington       | 463     | 44                  | 461     |                     |                   | 1,218            |
| Idaho            | 100     | 100 <sup>2</sup>    | 2       |                     |                   | 202 <sup>2</sup> |
| Montana          | 345     | 10                  | 210     |                     | Revenue \$25      | 580 <sup>2</sup> |
| N. Dakota        | 847     |                     | 3       |                     |                   | 850              |
| Minnesota        | 976     | 12                  | 107     |                     |                   | 1,095            |
| Wisconsin        | 875     |                     | 10      |                     |                   | 975              |
| Michigan         | 309     | 20 <sup>2</sup>     | 270     |                     |                   | 599 <sup>2</sup> |
| Ontario          | 502     | 142                 | 227     | 112                 |                   | 983              |
| Federal Use Tax  |         |                     |         |                     |                   | 90               |
| <b>TOTAL</b>     |         |                     |         |                     |                   | <b>\$7,405</b>   |

<sup>1</sup> Excludes fuel taxes

<sup>2</sup> Mileage basis

<sup>3</sup> Approximate total because the revenue and mileage taxes vary.



As there is usually no alternative form of transportation, reasonable rail freight rates—reasonable in the light of costs of carriage—are absolutely essential for the economic health of British Columbia. The fact is that the province depends almost entirely on railway transportation for its welfare and the economic growth of the Province

is in danger of becoming stunted by reason of high freight charges.

The dependence of the Province on rail is shown by Table XIV.

Table XIV indicates that most of the commodities which are exported from British Columbia to other parts of Canada are carried by rail.

TABLE XIV  
DISTRIBUTION OF TRAFFIC BETWEEN TRANSPORTATION AGENCIES;  
INCOMING AND OUTGOING SHIPMENTS—BRITISH COLUMBIA, 1957

|                               | Incoming   | Outgoing   |
|-------------------------------|------------|------------|
| Water <sup>1</sup> —long tons | 760,142    | 194,225    |
| Rail <sup>2</sup> —tons       | 12,941,280 | 10,884,178 |
| Highway <sup>3</sup> —tons    | 176,000    | 64,000     |
|                               | For Hire   |            |
|                               | Private*   |            |
|                               | Intercity  | 26,000     |

<sup>1</sup>Includes Yukon and North-West Territories.  
<sup>2</sup>TRAFFIC TO AND FROM EAST AND WEST COAST OF CANADA VIA THE PANAMA CANAL, 1957—Canada Year Book 1957-58.  
<sup>3</sup>ANNUAL SUMMARY OF RAILWAY FREIGHT TRAFFIC, 1957—Dominion Bureau of Statistics.  
\*MOTOR TRANSPORT TRAFFIC STATISTICS, 1957—Dominion Bureau of Statistics.

EXHIBIT NO: XIV A

REPORTED SHIPMENTS OF SAWN LUMBER AND TIES FROM BRITISH COLUMBIA MILLS TO THE PRAIRIE AND EASTERN CANADIAN MARKETS IN 1958, BY MEANS OF CARRIAGE (IN MILLION FEM)

|                | Total Shipments | To Prairie Markets | To Eastern Canada |
|----------------|-----------------|--------------------|-------------------|
| Coast Mills    | 161.1           | 48.6               | 112.5             |
| Rail           | 156.0           | 48.6               | 107.4             |
| Truck          | .04             | -                  | -                 |
| Water          | 5.1             | -                  | 5.1               |
| Interior Mills | 353.3           | 217.4              | 135.9             |
| Rail           | 327.1           | 191.2              | 135.9             |
| Truck          | 26.2            | 26.2               | -                 |
| Total          | 514.4           | 266.0              | 248.4             |

REPORTED SHIPMENTS OF SAWN LUMBER AND TIES FROM BRITISH COLUMBIA MILLS TO THE PRAIRIE AND EASTERN CANADIAN MARKETS IN 1948, BY MEANS OF CARRIAGE (IN MILLION FEM)

|                | Total Shipments | To Prairie Markets | To Eastern Canada |
|----------------|-----------------|--------------------|-------------------|
| Coast Mills    |                 |                    |                   |
| Rail           | 281.4           | 104.0              | 177.4             |
| Truck          | Not reported    | -                  | -                 |
| Water          | Not reported    | -                  | -                 |
| Interior Mills | 162.7           | 97.8               | 64.9              |
| Rail           | 162.0           | 97.1               | 64.9              |
| Truck          | .7              | .7                 | -                 |
| Total          | 444.1           | 201.8              | 242.3             |

Source: Dominion Bureau of Statistics "Production, Shipment and Stocks on Hand of Sawmills in British Columbia."

Table VI shows the total rail transportation bill for British Columbia, with breakdown by type of rate and direction of haul in Tables VI A-H. It is seen from Table VI A that the total domestic rail transportation bill for British Columbia in 1957 was \$131 million, providing the railways with seven billion ton-miles. In other words, for domestic traffic only, British Columbia provided thirteen per cent of the freight revenues for the railways and eleven per cent of the freight ton-miles.

**British Columbia Pays the Freight both ways**

An additional disadvantage that British Columbia suffers is from the apparent paradox of paying freight charges both on the things sold and on the commodities imported.

Commissioner Knowles commented on this before a Senate Committee:

"MR. KNOWLES: People from the western and Maritime regions have always claimed that they pay the freight both ways on raw material in and finished products out. I have taken them at their word, and have taken all the traffic in and out of the western region, and in and out of the maritime region, and the central region is simply the traffic that originates in that region.

You could get into endless arguments as to who pays the freight. I have listened to cases for 10 years, at which all the provincial people have appeared, and the maritimers and westerners have always claimed they pay the freight both ways. As I say, I accepted that in these calculations.

SENATOR ISNOR: That is pretty nearly true, is it not, that the Maritimes do pay the freight both ways?

MR. KNOWLES: I think it is quite true senator..."

In the long run, of course, freight charges must be borne by the consumer as these are just as much costs of production as the costs of raw materials or wages. In the short run, such as between successive freight rate increases, freight charges may either be borne by producers or passed along to consumers in the final price of the product. When the selling market is competitive and there are many other sources of supply available to the consumer, the producer must absorb freights as customers refuse to accept any increase, turning to alternative suppliers. The production of British Columbia, destined for overseas markets, being mainly forest products and minerals, is in close and direct competition with producers in other countries. British Columbia's producers have to accept the world price over which they have no control.





There is frequently government control overseas, tariff barriers, common market tariff agreements, dumping and production subsidies, foreign markets for fruit, lumber, salmon and mineral products. This means that the British Columbia producer has to overcome these difficulties if he is to export at all. He needs a strong home market,

encouraged by reasonable freight rates, as he must absorb any freight rate increases that come along.

Even in the Canadian market the producer meets severe competition from market-oriented producers which, as he cannot control the selling prices, he must meet by absorbing his proportionately high freight charges.

PROCEEDINGS OF THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS. The Senate of Canada, 2nd Session, 24th Parliament, June 17, 1959. p. 16.

TABLE XV  
WAYBILL SAMPLE OF INTERPROVINCIAL MOVEMENTS 1957  
DISTANCE AND COST CHARACTERISTICS OF COMPETING SHIPMENTS BY PROVINCE

|                                       | Carloads<br>in<br>Sample | Average<br>Weight<br>Per Car | Average<br>Haul<br>Per Ton | Average<br>Charges<br>Per Car | Average<br>Charge<br>Per Ton |
|---------------------------------------|--------------------------|------------------------------|----------------------------|-------------------------------|------------------------------|
|                                       |                          | (tons)                       | (miles)                    | (\$)                          | (\$)                         |
| <b>LUMBER</b>                         |                          |                              |                            |                               |                              |
| British Columbia to Ontario . . . . . | 121                      | 31.7                         | 2,516                      | 900                           | 28                           |
| New Brunswick to Ontario . . . . .    | 17                       | 30.0                         | 836                        | 306                           | 18                           |
| <b>WOOD PULP</b>                      |                          |                              |                            |                               |                              |
| British Columbia to Ontario . . . . . | 3                        | 49.8                         | 2,820                      | 1,276                         | 25.5                         |
| New Brunswick to Ontario . . . . .    | 4                        | 42.0                         | 724                        | 486                           | 11.5                         |
| <b>FOOD PRODUCTS N.O.S.</b>           |                          |                              |                            |                               |                              |
| British Columbia to Ontario . . . . . | 6                        | 31.8                         | 2,756                      | 1,275                         | 40                           |
| New Brunswick to Ontario . . . . .    | 4                        | 18.7                         | 687                        | 326                           | 17                           |

Source: WAYBILL ANALYSIS 1957 by Province of Origin and Destination

Table XV shows how British Columbia's freight charges are higher than for other producers for competing movements and yet they must lay down their produce in the same markets as there is no alternative.

As the selling price in competitive markets for all sellers must be the same the implication is that sellers with the highest freight charges (which cannot be passed on) must be either accepting lower margins or having lower production costs. If lower production costs are impossible to achieve then lower margins will eventually bring about a disinvestment in an affected industry and the producer will go out of business. Producers tied to the source of raw materials, as lumber manufacturers or apple growers in British Columbia, do not get the alternative of shifting their location nearer the market.

Though it may be argued that this is only the functioning of our competitive free enterprise system, it would be a misrepresentation as British Columbia shippers have to pay a high freight charge swollen out of proportion by unremunerative services offered elsewhere and by other factors.

In any case, on the British Columbia shipper rests the economic health of the province and in a specialist economy with limited opportunity for diversification, continued absorption of freight charges will bring about a cut-back in wages, contraction of business and an ultimate bankruptcy.

It cannot be questioned that the consumer pays the freight for products coming in to the province. This occurs in the short run also as British Columbians are shut off from closer, cheaper,

sources of supply in the United States through tariff policies. Demand for goods brought into the province is therefore generally inelastic. This is conducive to passing on the freight charge in the short run as well as in the long run.

It is sometimes said that the general disadvantages of British Columbia in the matter of high freight rates are offset by the rate umbrella afforded to local manufacturers. If it were not for high freight rates they would not be able to compete with imports from the east.

However, it is to be hoped that the general impression is not that the disadvantages of high freight charges for British Columbia are offset by advantages. This is by no means the case. Only a small number of market-oriented producers are able to benefit from high freight charges as the greater proportion of producers in this province are closely lined up with distant, specialized markets with no chance of selling closer to home. Even market oriented manufacturers in British Columbia have often to purchase raw materials from distant sources so the advantages of high freights go to a very select few. In any event, the local manufacturer selling locally is aided by high freights only in the initial stages of production. Sooner or later he will need outlets further afield as competitors spring up around him. When this happens low freight charges are important to him just as they are to his colleagues now shipping over the long hauls.

### Horizontal Percentage Increases

So much has already been said about horizontal



percentage increases in every rate case and before Royal Commissions, yet nothing has been done about them either by the railways or the Board of Transport Commissioners in spite of the conclusions and recommendations of the Turgeon Commission. These conclusions are as follows—and it may be noted that there have been four general increases since 1950 and three interim increases.

- "1. Applications for uniform horizontal increases to all freight tolls assume that all freight can, under all conditions, bear an equal burden of increase. This is an incorrect assumption.
- "2. Horizontal increases, although preserving rate relationships percentage-wise, disturb them in cents per 100 (or other unit) in so far as shippers and consignees are concerned, and this is of much importance to them.
- "3. Horizontal increases aggravate the disadvantage already suffered by long haul shippers and consignees.
- "4. The remedy does not lie in the prohibition, statutory or other, of horizontal increases, but is in the hands of the railways themselves. The railways should make studies of traffic conditions in all their bearings and should present to the Board (in accordance with the foregoing precedents) proposals showing not only their maximum percentage increase requirements but also, among other particulars, varying percentage increases on different commodities, flat, instead of percentage increases when these are more suitable, and maxima in appropriate cases in cents per 100 pounds or other unit. Special attention should be given to long haul traffic and to rates on basic (or primary) commodities. The Railways should be in a position to do this especially in the light of new statistical procedures. But if the Railways do not approach the task in this way, it ought to be the duty of the Board to see that they do so . . .
- "5. Legislative amendment to bring about the desired results is not necessary, and it would be difficult to provide an adequately detailed procedure by statute. Each case must stand on its own merits; different considerations will apply under different economic conditions; and undoubtedly different considerations apply in the case of small, as compared to large, increases. It is the sudden shock to the

economy caused by large horizontal increases that raises the problem, and this fact should receive the close attention of both the railways and the Board . . ."<sup>5</sup>

As a method of recovering increased railway expenses, horizontal percentage increases are without question outmoded in the light of the generally competitive situation. They are also inefficient and unjust. They inevitably lead to protracted rate cases and appeals; the final results satisfying neither the railways, the shippers nor the provinces.

The situation in the United States is described by Professor Merrill Roberts and is equally applicable to the Canadian position:

"The conduct of the general rate cases represented by Ex Parte 206 clearly indicates that the achievement of some desired level of financial contribution through this medium is highly uncertain. The proceedings are litigious monstrosities, with companies and Commission alike facing tasks that are impossible of fulfillment. The carriers must propose and defend a single percentage increase for virtually the whole range of their services. In view of the wide variation in demand elasticity and in the demand and cost function relations associated with individual services, no single percentage is defensible. The Commission is put in the same impossible position in its attempt to evaluate the percentage proposed and defended by the railroads."

"The general rate case as presently construed is a veritable farce. Its broad sweep virtually precludes even the most rudimentary considerations of the intimate demand and cost relationships that should govern pricing in specific markets. Armed only with the crudest data and analytical concepts, the railroads solemnly endeavor to establish the wisdom of a course of pricing action represented by uniform percentage increases that they must know is indefensible in terms of self-interest and which is not very rigidly applied in practice."<sup>6</sup>

Horizontal percentage increases are not appropriate vehicles for passing on increased costs in the light of competitive conditions generally prevailing. Where competition exists, the increase cannot be passed on and this segment is getting larger every day. The logic of steadfastly retaining such a clumsy method of raising increased revenues must be seriously questioned when it is well known that a general increase on all traffic is

<sup>5</sup>REPORT OF THE ROYAL COMMISSION ON TRANSPORTATION, 1951, OP. CIT. pp. 61, 62.

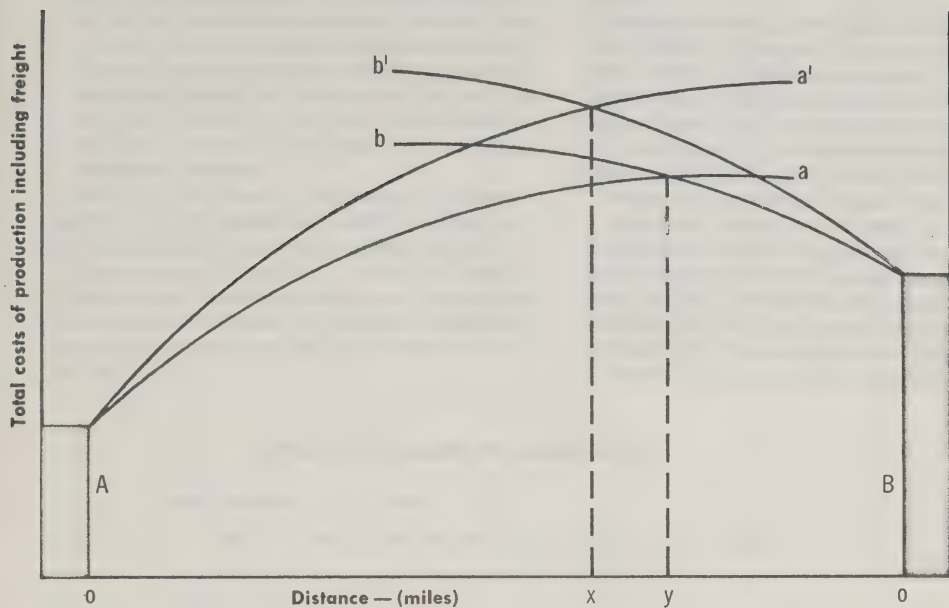
<sup>6</sup>Merrill Roberts, "Maximum Freight Rate Regulation and Railroad Earnings Control," LAND ECONOMICS, May 1959. pp. 126, 136-7.





FIGURE 3

CHANGES IN MARKET AREA DUE TO HORIZONTAL PERCENTAGE INCREASE



impossible. The time for such increases has gone and a more selective method is desirable on many counts. General increases of this nature may actually encourage further competition as is suggested by Professor James C. Nelson:

"No one can seriously quarrel with pricing objectives such as preventing insolvency or earnings sufficient returns for an adequate volume of capital investment. But even rail officials have questioned whether the roads can safely, in their own long-term interest, continue to rely on raising the freight rate level recurrently as the principal pricing means for satisfying their revenue needs. For while rail officials have been correct in predicting that the postwar general rate increases would substantially raise revenues as a whole, demand in the aggregate being inelastic in the short run, the higher rates appear to have directly diverted substantial amounts of high valued traffic to alternative agencies or to private carriers. No doubt rising freight rates

have also encouraged decentralization of industry, thus putting trucks in a more advantageous position to command traffic because of shorter hauls."

Apart from the general effects on the railways' competitive position, horizontal percentage increases have effects on industry which are against the best interests of the country.

Similar points are forcefully made in the Judgment of the Board of Transport Commissioners of 15th February, 1954 where they say:

"As a result of these recent rail traffic trends, we are now more strongly than ever of the opinion that the long succession of general freight rate increases, mainly due to added costs of labour which is the largest single factor and to increased costs of materials, has brought about a loss of traffic by the railways to competing modes of transport not only of traffic which the railways formerly regarded as vulnerable because it was highly competitive, but a loss

James C. Nelson, *RAILROAD TRANSPORTATION AND PUBLIC POLICY*, Washington, D.C., The Brookings Institution, 1959, p. 343.





as well of traffic which was formerly non-competitive but which has now become subject to competition by reason of the aforementioned long succession of rate increases. Thus the law of diminishing returns is now, in the inexorable economic sense, beginning to assert itself. We are convinced therefore that, unless the several underlying conditions adversely affecting the railway industry in general changes markedly for the better, means other than general rate increases imposed on the basis of the past will have to be found in the future if the railways of Canada are to be maintained in a healthy operating position."<sup>43</sup>

One effect of a percentage increase is the loss of markets to our producers, an effect which can, perhaps, be represented graphically in Fig. 3.

It is assumed that A is a plant in British Columbia with lower production costs than plant B located, for example, in Ontario. Production costs within the plants are represented by solid blocks.

The lines a, a', b and b' are the freight charges which must be added to other production costs for plants A and B respectively. Before a rate increase plant B has the market as far west as y while A supplies the rest of the area. A has the largest market because of its lower production costs.

After a horizontal percentage increase, however, A's position is worsened because of the distance over which its goods must travel. Because the freight costs of reaching distant points is already high, a percentage increase aggravates this position vis-a-vis plant B. B now increases its share of the market by area x—y at the expense of A.

When goods are of low value in relation to bulk a horizontal percentage increase is particularly burdensome. Goods of high value are less affected by transportation costs than goods of low value. Most British Columbian products, fish, timber, minerals, are extremely sensitive to rate increases as the freight charges represent a high proportion of the selling price and other production costs.

#### EXHIBIT NO: XV A

##### LUMBER FREIGHT CHARGES AND SELLING PRICES

###### Selling prices in Winnipeg:

|   |         |
|---|---------|
| No. 2 or better green dressed hemlock 1,000 f.b.m.      | \$90.00 |
| No. 2 or better green dressed fir 1,000 f.b.m.          | \$97.75 |
| Freight charge Vancouver to Winnipeg per 1,000 f.b.m.   | \$32.20 |
| Freight charge as percentage of hemlock delivered price | 35.8%   |
| Freight charge as percentage of fir delivered price     | 32.9%   |

###### Note:

- (1) Dimensional weight 2 x 4 green hemlock and fir = 2,300 lbs per 1,000 f.b.m.
- (2) Freight rate Vancouver to Winnipeg = \$1.40 per 100 lbs.

Even the goods imported into the province tend to be bulky—machinery, building materials and automobiles for example.

Horizontal percentage increases discriminate against regions which are obliged through physical location and circumstances imposed by national policies to ship and receive goods over great distances. Instead of making for national economic unity such increases, by discriminating against long haul traffic, tend to disintegrate the economy into local high cost producing regions. The advantages of large scale production are abandoned as it becomes cheaper for manufacturers to locate their plants near the market, however small. When this is impossible, by reason of a local shortage of essential raw materials, then goods must still be shipped great distances at the expense of the producers and consumers.

Apart from the inequities mentioned in the quotation from the Turgeon Report, two additional injustices are particularly severe in their incidence and unwarranted in today's circumstance. The first of these is that increases in freight rates are successively piled on to a smaller and smaller portion of freight traffic, as was stressed in the 17 percent Judgment:

"The full amount of an authorized percentage

increase can be effectively applied only upon the so-called 'normal' traffic, which, in the sense in which it is used in this portion of the Judgment, excludes coal and coke traffic; grain and grain products at statutory and related rates; international, overhead, import-export and other related rates traffic; competitive traffic; and agreed charge traffic. Since 1953 this normal traffic has drastically shrunk in value and now constitutes only about one-third of the total freight revenue of all railways. It is also subject to accelerating attrition with each successive increase."<sup>44</sup>

Most of this normal traffic moves on the western region, as was pointed out to the Standing Committee on Railways, Canals and Telegraph Lines in April, 1959. There Mr. Knowles said that 56.7 percent of the normal traffic moves on the western region, 26.5 percent moves in Ontario and Quebec and 16.8 percent on the maritime region.<sup>45</sup>

The Province of British Columbia has a great interest in the matter as the greater proportion of its traffic moves at rates which take the full general freight rate increase.

These figures indicate that 'normal' traffic tonnage is more than double that of other traffic. In other words, traffic taking percentage increases is twice as high as that which takes little or no increase. This is true whether the tonnage is

<sup>43</sup>JORR. No. 22A 69.

<sup>44</sup>JORR. No. 16A 25.

<sup>45</sup>Standing Committee on Railways, Canals and Telegraph Lines, MINUTES AND PROCEEDINGS OF EVIDENCE, 2nd Session, 24th Parliament, April 14, 1959, p. 16.



TABLE XVI

ESTIMATED DOMESTIC TONNAGE ORIGINATING AND TERMINATING IN BRITISH COLUMBIA BY TYPE OF RATE, 1957

|  | Tons     |          |                   |
|--|----------|----------|-------------------|
|  | In       | Out      | Within            |
| <b>'NORMAL' TRAFFIC</b>  |          |          |                   |
| Class.....   | 424.7    | 1,766.2  | 1,104.1           |
| Non-competitive commodity.....                                 | 13,988.9 | 12,116.8 | 21,739.0          |
| Total 'Normal' traffic.....                                    | 14,413.6 | 13,883.0 | 22,843.1 51,139.7 |
| <b>OTHER TRAFFIC (excluding statutory and mixed shipments)</b> |          |          |                   |
| Commodity competitive.....                                     | 2,715.3  | 7,371.4  | 8,483.8           |
| Agreed Charges.....  | 3,563.5  | 557.2    | 1,363.3           |
| Total Other traffic.....                                       | 6,278.8  | 8,528.6  | 9,847.1 24,654.5  |
| Total All Traffic.....   |          |          | 75,794.5          |

Source: Tables VI, C, D, E, F.

moving out, into or within the province.

It is natural that British Columbia has a greater interest in this matter than any other province as its average freight charges are much higher. Table X E reveals that the commodity non-competitive charges per ton were \$9.6 for traffic originated in British Columbia, being the highest in Canada, while the average was only \$6.1.

Any percentage increase in freight rates, loaded on to this captive tonnage and on to charges which are already the highest in Canada cannot fail to generate the most serious repercussions on industry and the cost of living in general in the province. While British Columbia acknowledges its geographical disadvantages, for which it is prepared to pay a price, it is unable to stand a disproportionate share of any rate increases over and above the actual cost increases which its own traffic incurs.

The second inequity which is felt by British Columbia shippers and receivers of freight is that rate increases are imposed upon their traffic which are unjustified by increases in railway working expenses. It is felt that a large part of any freight rate increase applied to British Columbia's traffic is imposed principally because this is captive traffic in that there is no choice of the shipper in alternative media.

Since the labour and terminal costs in short haul traffic are a larger proportion of total costs than for long haul traffic, it would seem that increases in these expenses should be imposed on the traffic which incurs them. In this respect

Table X shows that the average length of haul for the bulk of the domestic traffic originated in British Columbia in 1957 was 739 miles, while it was only 251 miles for Quebec and 275 miles for Ontario. Yet the western region accounted for 56.7 percent of the 'normal' traffic taking full rate increases while Ontario and Quebec accounted for only 16.8 percent.

Costs on all traffic do not go up by a uniform percentage and there is no reason why 'normal' traffic should take all the increase. It may well be that the costs of moving 'normal' traffic, especially the long haul 'normal' traffic indigenous to British Columbia, have actually risen the least.

If costs actually incurred by traffic in other regions are imposed upon western traffic, then this is nothing short of regional discrimination.

Increased expenses should be borne by the traffic which incurs them. To place them elsewhere is not in the best public interests. Any method of passing along increased expenses other than one based on a cost of service principle is prejudicial to the low cost shippers who have to subsidize expensive operations.

### Summary and Conclusions

Economic activity in British Columbia is dependent on primary commodities and manufacture occurs in the first stages of production. These goods must be transported over vast distances to competitive markets and the freight rate absorbed in the attempt to sell abroad or in home markets against producers located nearer the market.







The goods consumed in British Columbia are also for the most part transported over long distances and due to the nature of the market and conditions of production the freight rate is again borne by British Columbians. Hence, a significant amount of British Columbia's income is disbursed in freight charges, either on incoming or on outgoing shipments.

British Columbia's products are particularly vulnerable to rate increases, being bulky in relation to value and subjected to long hauls. The horizontal percentage increases are particularly

inequitable as it is felt that rising railway expenses are not incurred in the west to the same extent as in the east. However, 'normal' traffic which takes the full amount of any increase is concentrated in the west.

It is urged that further consideration be given by the Board of Transport Commissioners and the railways to the recommendations of the Turgeon Commission in respect of percentage increases and in the light of the costs of service principle.

## CHAPTER 2

### THE BRIDGE SUBSIDY

#### *The Purpose of the Bridge Subsidy*

The Turgeon Royal Commission on Transportation noted the submission by the United Farmers of Alberta Co-operative Ltd., which stated that "Canada is a country of two areas of civilization separated by a relative economic desert." As a result a subsidy was proposed to provide the cost of maintaining the railway trackage between Sudbury and Fort William on the Canadian Pacific line and an equivalent mileage on the Canadian National lines.

The Royal Commission believed that the cost of maintaining lines over this 'economic desert' should be borne by general revenues as it was a necessary bridge linking eastern and western Canada. It was justified not only on the grounds of commerce but also for the purpose of national defence.

It was believed that "the assistance herein provided will be particularly effective as a measure of relief in the case of charges on westbound traffic passing over this bridge. The Crowsnest Pass rates structure provides to a considerable

extent, although of course not altogether, for the requirements of traffic eastbound."<sup>1</sup>

As a consequence an addition was made to the Railway Act (R.S. 1952) as Section 468 to provide for a maximum of \$7 million annually to the Canadian National Railways and the Canadian Pacific Railway towards the cost of maintaining lines over the 'bridge'.

The Board of Transport Commissioners, in Order 78767 of 16th April, 1952, set out the method by which freight rates were to be reduced, the reductions coming into effect on May 1, 1952. The reduction in freight rates was 2.53 per cent, and the resulting figure was then reduced by a weight factor of 5.8 cents per 100 lbs. From December 1, 1959 the reduction has been 4.72 per cent and 15 cents per 100 lbs.

The reductions apply to all-rail routes for traffic moving entirely within Canada and do not apply on

1. Grain and grain products,
2. Coal to Ontario,
3. Designated competitive rates,
4. International traffic between Canada and the

<sup>1</sup>REPORT OF THE ROYAL COMMISSION ON TRANSPORTATION, Ottawa, 1951. p. 254.



United States or to or from other countries via the United States,

5. Traffic moving between United States points passing through Canada,
6. Export and import traffic to or from Canadian ports not charged domestic rates.
7. Agreed charge traffic.

It may be noted that the same Royal Commission recommended uniformity and equalization of rates in Canada, with the objective of removing anomalies in the freight rate structure. The report of the Commission says:

11. "With the uniform equalized class and commodity scales so constructed and put into effect within a reasonable period it may be possible to use these scales as a pattern for the elimination of the several other anomalies which exist in the numerous special freight tariffs between specified points. It may be expected that such special freight tariffs will be brought into uniformity in so far as this can be accomplished having regard to all proper interests.

It appears desirable that a beginning should be made with the uniform scales. Other adjustments may properly follow as time and conditions demonstrate to what extent the many specific rates now existing can be made more uniform than they are today.

12. Changes should be made in the 'Traffic, Tolls and Tariffs' sections of the Railway Act in order to empower the Board to effect and maintain the uniformity in rates throughout Canada herein recommended."<sup>2</sup>

As a result of this strong recommendation for equalization, Section 336 was enacted shortly thereafter, sub-section (1) reading as follows: "336(1) It is hereby declared to be the national freight rates policy that, subject to the exceptions

specified in subsection (4), every railway company shall, so far as is reasonably possible, in respect of all freight traffic of the same description, and carried on or upon the like kind of cars or conveyances, passing over all lines or routes of the company in Canada, charge tolls to all persons at the same rate, whether by weight, mileage or otherwise."

The recommendation for equality and uniformity, followed by a declaration of national freight rate policy in the Railway Act, would seem to be inconsistent with the recommendation for a subsidy to bridge traffic and section 468 of the Act. In fact, a further anomaly and inequality in the freight rate structure was introduced.

### The 'Economic Desert'

The basic assumption behind the proposal is that there is an 'economic desert' north of Lake Superior. With all due respect the Turgeon Commission does not appear to have considered the submission of the Canadian Pacific Railway to the Commission on this matter. Part of this submission respecting the 'economic desert' follows:

"It is quite apparent, from many of the statements made on this subject, that those making them are not properly informed. While it may be that in the development of this country, the traffic originating in this area was not as abundant as that in the Prairie Provinces, this however, is not now the case."

During the year 1948 the number of tons of traffic originating on the lines of the Canadian Pacific in the so-called unproductive area and in the Prairie Provinces, with the tons per mile, is shown hereunder:

One method of determining the value of a line is the tons per mile of originating traffic. During the year 1948 the so-called wilderness between

| AREA   | Number of Tons<br>of Originating<br>Traffic | Number<br>of Tons<br>Per Mile |
|--|---|-------------------------------|
| Between Sudbury and Port Arthur.....<br>(Excepting Sudbury and Port Arthur)            | 1,308,087                                   | 2,425                         |
| Port Arthur, Fort William and West Fort William.....                                   | 745,331                                     | —                             |
| Between West Fort William and Winnipeg.....<br>(Except West Fort William and Winnipeg) | 850,923                                     | 1,974                         |
| Between Sudbury and Winnipeg.....<br>(Excepting Sudbury and Winnipeg)                  | 2,904,341                                   | 2,991                         |
| Province of Manitoba.....  | 3,191,671                                   | 1,698                         |
| Province of Saskatchewan.....  | 5,082,412                                   | 1,121                         |
| Province of Alberta.....   | 6,892,240                                   | 2,629                         |

<sup>2</sup>IBID p. 127





Sudbury and Winnipeg originated a larger amount of tonnage per mile of railway than any of the Prairie Provinces taken individually or collectively. There is no reason to believe that the tonnage produced in the area between Sudbury and Winnipeg will not continue in reasonable relationship with the Prairie Provinces.”<sup>3</sup>

The Canadian National Railways evidently considered that their lines in the same area were fully profitable or were economically justified

by reason of their feeder value.<sup>4</sup>

Further comparisons of this ‘economic wilderness’ can be made.

These figures show the production of Superior Region as compared with the Prairie Provinces and show that far from being a wilderness, the Bridge Area is, in fact, economically very prosperous by comparison and the traffic potential indicated seems to be quite able to support its own trackage rather than rely on Federal subsidy.

TABLE XVII  
PRODUCTION OF PRAIRIE PROVINCES AND THE BRIDGE AREA, 1955  
(000,000 dollars)

|   | Manufacturing <sup>1</sup> | Mining <sup>2</sup>    |
|---|----------------------------|------------------------|
| Manitoba.....   | 247.5                      | 22.5                   |
| Saskatchewan.....                                     | 113.6                      | 45.3                   |
| Alberta.....  | 263.3                      | 303.7                  |
| BRIDGE AREA:  |                            |                        |
| Algoma district.....                                  | 67.3                       | 14.8                   |
| Cochrane district.....                                | 52.4                       | 41.5                   |
| Manitoulin district.....                              | 0.2                        | 0.3                    |
| Nipissing district.....                               | 12.6                       | 0.2                    |
| Timiskaming district.....                             | 6.2                        | 38.3                   |
| Thunder Bay (other than Fort William—Port Arthur).... | 25.5                       | 4.0 (est) <sup>1</sup> |
| ADJACENT AREAS:                                       |                            |                        |
| Fort William-Port Arthur.....                         | 52.0                       | —                      |
| Sudbury district.....                                 | 213.4                      | 339.6                  |

Note: <sup>1</sup>Net value of production.

<sup>2</sup>Value of shipments for Bridge Areas, net value of production for Prairie Provinces.

<sup>3</sup>Mineral production 1958 — \$36.2 million.

Source: ECONOMIC SURVEY, Lakehead-Northwestern Ontario Region, 1959. ECONOMIC SURVEY, the Northeastern Ontario Region, 1958. Ontario Department of Economics.  
D.B.S. Survey of Production, 1953-1957.

EXHIBIT NO. XVII A

CANADIAN PACIFIC RAILWAY GROSS FREIGHT TON MILES PER MILE OF TRACK BY DISTRICT

Average 1956 - 1958  
(000)

| DISTRICT <sup>1</sup> | GTM/TRACK MILE |
|-----------------------|----------------|
| Algoma                | 4,932          |
| Ontario               | 3,853          |
| Manitoba              | 3,530          |
| British Columbia      | 3,441          |
| Quebec                | 2,368          |
| Alberta               | 2,154          |
| New Brunswick         | 1,843          |
| Saskatchewan          | 1,504          |

<sup>1</sup> Excluded are Dominion Atlantic, Quebec Central and E & N Railways.

Source: Canadian Pacific Railway Co. Ltd.

EXHIBIT NO. XVII B

CANADIAN NATIONAL RAILWAYS GROSS TON MILES IN FREIGHT TRAINS PER MAIN TRACK MILE  
BY DISTRICT

1958  
(000)

| DISTRICT                      | GTM/TRACK MILE |
|-------------------------------|----------------|
| British Columbia <sup>1</sup> | 4,329          |
| Ontario                       | 4,278          |
| Quebec                        | 3,417          |
| Alberta                       | 3,340          |
| New Brunswick                 | 3,320          |
| Nova Scotia                   | 2,061          |
| Saskatchewan                  | 1,817          |
| Manitoba                      | 1,815          |
| Newfoundland                  | 834            |
| Prince Edward Island          | 538            |
| Bridge Area <sup>2</sup>      | 4,045          |

<sup>1</sup> Excluding Vancouver Island.

<sup>2</sup> Includes Capreol, Hornpayne and Cochrane Divisions.

Source: Canadian National Railways, Costs and Statistics Branch.



## Effect of the Bridge Subsidy

The Turgeon Commission thought that the assistance provided would be "particularly effective as a measure of relief in the case of *westbound* traffic passing over the bridge" while eastbound traffic already obtained relief by reason of Crowsnest rates.<sup>5</sup>

That is, in fact what has happened, but it is

obviously true that British Columbia ships very little grain eastwards and so gets no relief from Crowsnest rates. But this is not all. British Columbia has very little qualifying traffic passing over the bridge in an easterly or westerly direction, hence the benefits, if any, are extremely small as compared with the benefits to more easterly provinces who in any case get the full relief from export grain rates.

TABLE XVIII  
PERCENTAGE DISTRIBUTION OF CARLOADS ORIGINATING IN BRITISH COLUMBIA,  
DOMESTIC TRAFFIC 1957

| Destined for<br>4 western provinces | Traffic moving<br>over Bridge | Total<br>% |
|-------------------------------------|-------------------------------|------------|
| 79.5                                | 20.5                          | 100%       |

Note: Includes all traffic except statutory grain.

Source: WAYBILL ANALYSIS, 1957.

<sup>5</sup>SUBMISSION OF CANADIAN PACIFIC RAILWAY COMPANY TO THE ROYAL COMMISSION OF TRANSPORTATION, Part II. Montreal, Oct. 1949, p. 136.

<sup>6</sup>SUBMISSION OF THE CANADIAN NATIONAL RAILWAYS TO THE ROYAL COMMISSION OF TRANSPORTATION, Montreal, Oct. 1949. Exhibit A.

<sup>7</sup>REPORT OF THE ROYAL COMMISSION ON TRANSPORTATION, 1951 op. cit. p. 254 (italics supplied)

Table XVIII indicates that out of total domestic carload traffic, 20.5% travelled over the bridge, 79.5% of the traffic moving by rail originating in British Columbia is therefore not eligible in any event for the bridge subsidy.

Table XIX shows the percentage distribution of Bridge traffic originating in British Columbia and compares it with that originating in Ontario. Traffic originating in British Columbia and moving over the bridge to Ontario and east, Column

(1), totals 62 cars in the waybill sample. Ontario traffic moving westwards over the bridge, Column (2), totals 251 cars, making 313 cars of eligible bridge traffic in all. It is noted that British Columbia carloads eligible for the subsidy is only 20.6 per cent of the total while Ontario has 79.4 per cent. Traffic moving from Ontario over the bridge which is eligible for subsidy is quite considerable compared with British Columbia's traffic.

Quebec also shares this advantage, and as was

TABLE XIX  
PERCENTAGE DISTRIBUTION OF "BRIDGE" CARLOAD TRAFFIC ORIGINATING  
BRITISH COLUMBIA AND ONTARIO, 1957

| NUMBER OF CARLOADS<br>ELIGIBLE FOR BRIDGE SUBSIDY<br>CLASS AND COMMODITY NON-COMPETITIVE RATE<br>ORIGINATING IN |    |                               |     | NUMBER OF CARLOADS<br>INELIGIBLE FOR BRIDGE SUBSIDY<br>COMMODITY COMPETITIVE AND AGREED CHARGE RATE<br>ORIGINATING IN |     |                               |     |
|---|----|-------------------------------|-----|---|-----|-------------------------------|-----|
| (1)<br>BRITISH COLUMBIA<br>Destination  |    | (2)<br>ONTARIO<br>Destination |     | (3)<br>BRITISH COLUMBIA<br>Destination  |     | (4)<br>ONTARIO<br>Destination |     |
| Ontario.....  | 50 | Manitoba.....                 | 101 | Ontario.....  | 169 | Manitoba.....                 | 60  |
| Quebec.....   | 9  | Saskatchewan....              | 53  | Quebec.....   | 60  | Saskatchewan....              | 52  |
| Maritimes.....  | 3  | Alberta.....                  | 76  | Maritimes.....  | 12  | Alberta.....                  | 116 |
| TOTAL.....  | 62 | British Columbia..            | 21  | TOTAL.....  | 241 | British Columbia..            | 160 |
|   |    | TOTAL.....                    | 251 |   |     | TOTAL.....                    | 288 |

TOTAL BRITISH COLUMBIA and ONTARIO = 313  
BRITISH COLUMBIA as % of TOTAL = 20.6

TOTAL BRITISH COLUMBIA and ONTARIO = 529  
BRITISH COLUMBIA as % of TOTAL = 45.5

Source: WAYBILL ANALYSIS, 1957

Board of Transport Commissioners.

stated before the Gordon Royal Commission:

"The method of application of the \$7,000,000 bridge subsidy which, in conjunction with the eastern 'groupings' system, permits Montreal distributors to buy over 1,350 miles of transportation into our common Prairie market for the same rate as we pay for 1,100 miles."<sup>6</sup>

British Columbia is supposed to receive benefits from westbound traffic moving over the bridge. Table XIX indicates that British Columbia receives few such benefits, as most of the traffic reaching this province from Ontario is not eligible for subsidy. Column (2) shows that eligible bridge traffic moving to British Columbia from Ontario totals only 21 carloads as against a total of 251 carloads. The converse of this situation is shown by Column (4) which shows that out of 288 carloads ineligible for the subsidy moving from Ontario westwards, British Columbia receives 160, or about 55 per cent. British Columbia receives the smallest amount of bridge traffic and the largest amount of traffic not eligible for the subsidy from Ontario, thus indicating unequal benefits to

the various western provinces in the case of westbound traffic.

Table XVIII showed that 20.5 per cent of British Columbia's originating traffic moved over the bridge. Table XIX shows that only one-fifth of this traffic, 20.4 per cent, is eligible for the subsidy. On the other hand, of traffic moving westwards from Ontario, 46.6 per cent is eligible.

The greater part of British Columbia's domestic traffic is destined for the prairie market and pays un-subsidized freight rates. The Waybill Analysis for 1957 shows that a total of 423 cars moved from B.C. to the prairie market, of these 344 moved at class and non-competitive commodity rates. Ontario, on the other hand, shipped a total of 412 cars to the prairie market, of which 239 were eligible for the bridge subsidy. As this is a common market there can be no question that regional freight rate discrimination is present.

The position is, then, that British Columbia receives little benefit from the shipping of east-bound traffic over the bridge. The westbound traffic does not alleviate the situation because it

<sup>8</sup>SUBMISSION TO THE ROYAL COMMISSION ON CANADA'S ECONOMIC PROSPECTS, Province of British Columbia, August 1, 1956. p. 70.





enters B.C.'s market at subsidized rates, thus being able to undercut B.C. distributors. Most which traffic does pass on to British Columbia in a westerly direction does so at full unsubsidized rates.

Not only British Columbia loses by reason of the bridge subsidy but the railway dissipates its revenues by voluntary reductions not required by law, thus further burdening the shippers who have to pay full rates.

A great deal of traffic in the open navigation season travels by rail-lake-rail at rates below the all-rail tolls. This traffic, as it goes by water and does not travel over the bridge, does not qualify for the subsidy. However, the railways feel com-

pelled to apply the normal differentials in order to maintain rail-lake-rail traffic, and the differentials are based on all rail rates. On rail-lake-rail traffic, therefore, the railways receive lower revenues than they would in the absence of the bridge subsidy.

### Recommendation

Deep concern is felt by the shippers of British Columbia over the effects of the bridge subsidy which unfairly discriminates against the province.

It is recommended, therefore, that Section 468 of the Railway Act (R.S. 1952) be repealed.

TABLE XIX A

CARLOADS ORIGINATING IN BRITISH COLUMBIA AND ONTARIO ELIGIBLE FOR BRIDGE SUBSIDY AS A PERCENTAGE OF ONTARIO AND BRITISH COLUMBIA CARLOADS MOVING ACROSS THE BRIDGE, 1957

|   | Total Carloads | Eligible for Subsidy | % Eligible for Subsidy |
|---|----------------|----------------------|------------------------|
| Originating in British Columbia . . . . . | 303            | 62                   | 20.4                   |
| Originating in Ontario . . . . .          | 539            | 251                  | 46.6                   |

Source: WAYBILL ANALYSIS, 1957

Board of Transport Commissioners.

## CHAPTER 3

### UNREMUNERATIVE SERVICES

The unremunerative services of a railway may include both branch line and main line traffic of both passengers and freight. The services may be unremunerative because of a wrong rate level, because of difficulty of abandonment or cessation of service, or because it is dictated that railways implement national policy, or because of intense competition. A service may be said to be unremunerative when the revenue therefrom fails to cover long run out-of-pocket costs. The long run is defined here as being a period long enough to span normal business fluctuations and out-of-pocket costs include not only direct expenses such as labour and materials but also depreciation and interest on the capital employed in such services.

#### Effects of unremunerative services

The effects of providing non-compensatory services are well known. Such services undertaken at a loss or at very little profit do not provide any encouragement to the railways to expand services or to improve them. If expansion or improvement does take place the out-of-pocket losses may even be increased.

If the railway incurs out-of-pocket losses on one service then it must attempt recovery elsewhere. The attempt to raise rates above costs on other services encourages competition from other agencies. Where non-paying branch lines are involved rates must be raised on main line services where rail costs are low. The raising of rates above costs encourages, say, trucking whose costs may be higher than rail but whose rates are lower. Thus a misallocation of resources occurs—traffic is being hauled by the high cost medium and Canadians as a whole are not economizing in their use of transportation. Non-compensatory passenger services throw the burden on to freight shippers<sup>1</sup>, unremunerative branch lines on to main lines, non-paying freight on to captive traffic, and so on.

It is becoming increasingly difficult for railways to transfer their out-of-pocket losses to other segments of traffic. As the railways become enmeshed in competition the question of unremunerative services becomes extremely serious, not only for them but also for the remaining captive traffic for which competition in transport

<sup>1</sup>In a recent Judgment of the Board of Transport Commissioners concerning increases in commutation fares (49 J.O.R.R. No. 17) on page 489, the Board states, "It is not disputed that railway passenger services as a whole and certain passenger services in particular are being operated at a loss. THAT LOSS IS A BURDEN ON FREIGHT PAYERS."



facilities will probably never come. The problem of non-compensatory services has to be resolved if the country is to enjoy low cost transportation and if the basic commodities of Canada are to move freely interregionally and internationally.

"As a consequence, previously satisfactory methods of financing many transportation operations, especially the railroads, have become increasingly untenable. In particular, the 'value-of-service' method of rate-making has become unworkable for the transportation services as the high-value commodity manufacturers are those with the largest number of alternative methods of moving their goods. Even worse, the overhead costs to be borne by shippers have been greatly augmented by substantial increases in the number, extent, and importance of unremunerative transportation services. Rail passenger, low-density rail spur line, and small-lot traffic that once paid their own way must now be subsidized by earnings made elsewhere—or otherwise abandoned."<sup>2</sup>

### **Size of the Deficit**

It is not possible with the limited information available to arrive at an estimate of the out-of-pocket losses incurred by the railways in this country. However, isolated scraps of information indicate the variety of unremunerative services which are provided.

The Canadian National Railway indicated in its brief to the 1949 Royal Commission on Transportation that out of 23,300 miles of track, 7,100 miles were of marginal profitability and 5,700 miles were sub-marginal. This estimate, moreover, would seem to underestimate the non-compensatory lines as for branch lines the maximum worth was obtained by crediting both originating and terminating traffic revenues, deducting only out-of-pocket expenses.<sup>3</sup>

More specific figures were disclosed by Mr. Gordon, President of the C.N.R., before the Sessional Committee in July 1958 when he estimated that on the I.C.C. formula the C.N.R.

system showed a deficit on passenger operations of \$90 million in 1957.<sup>4</sup>

It is interesting to note that the overall deficit for the C.N.R. system in 1957 was \$29,572,541. If the passenger deficit were 'added back' or eliminated, this would have produced a surplus of about \$60 million.

Losses on meal services were also disclosed by Mr. Gordon. He said that in the year 1957 the number of meals served on the system was 2,530,093. The average revenue was \$1.48 per meal while the average cost was \$2.21. The loss on each meal therefore was 73 cents.<sup>5</sup>

The losses on Crowsnest grain are alleged to be over \$30 million dollars for the Canadian National Railways in 1958.<sup>6</sup> The Canadian Pacific similarly alleges a loss of \$38,500,000 in 1958 from the carriage of this grain.<sup>7</sup> Although specific figures are not available this railway did not consider the "At and East" grain rates were compensatory,<sup>8</sup> or some L.C.L. rates in testimony to the Turgeon Royal Commission.<sup>9</sup>

Taking these isolated glimpses into railway services a rough estimate of deficits arising out of unremunerative services for both major railways could be put at \$200 million per year at the very minimum. This enormous sum constitutes about one-fifth of total railway revenues and the impact on the railways, shippers and the economy as a whole cannot be taken lightly. To this sum must be added an indeterminate amount which represents the lost time incurred by freight trains due to passenger movements having right of way.

The deficit arising out of commuter services undoubtedly accounts for a substantial part of passenger losses. Mr. Gordon, commenting on the fact that commuters represented 37.4 per cent of all passengers carried but contributed only 30 per cent of passenger revenues, said:

"Our commuter services are all unprofitable and will continue to be so if not more so. Our passenger service as a whole is unprofitable and will continue to be so. It is the big headache in

<sup>1</sup>John R. Meyer et al., *COMPETITION IN THE TRANSPORTATION INDUSTRIES*, Cambridge: Harvard University Press, 1959, p.13.

<sup>2</sup>SUBMISSION OF CANADIAN NATIONAL RAILWAYS, Royal Commission on Transportation, Montreal, October, 1949, p.71.

<sup>3</sup>HOUSE OF COMMONS, SESSIONAL COMMITTEE REPORT ON RAILWAYS, AIR LINES AND SHIPPING, First Sess. 24th Parliament, July 14 and 15, 1958, p.143.

<sup>4</sup>IBID. p.64.

<sup>5</sup>SUBMISSION BY CANADIAN NATIONAL RAILWAYS TO THE ROYAL COMMISSION ON RAILWAY TRANSPORTATION IN CANADA, Montreal, Oct. 15, 1959, computed from data in p.2.

<sup>6</sup>SUBMISSION OF CANADIAN PACIFIC RAILWAY COMPANY TO ROYAL COMMISSION ON RAILWAY TRANSPORTATION IN CANADA, Montreal, Oct. 14, 1959, p.10.

<sup>7</sup>SUBMISSION OF CANADIAN PACIFIC RAILWAY COMPANY TO ROYAL COMMISSION ON TRANSPORTATION, Montreal, October 1949, Part I, p.77.

<sup>8</sup>IBID. pp.81-83.





the railway business. Commuter traffic is a special degree of headache."<sup>10</sup>

The headache for Canadian National is further explained by Mr. G. C. Campbell, C.N.R. research economist:

"Many persons of course believe that the railways, which operate such services, are engaged in a kind of conspiracy to show commuter business as a losing proposition. No conspiracy is required to show that most commuter services do lose money, real money, which for the Canadian National means that we would be quite a few hundreds of thousands of dollars better off each year if we had no commuter services of any kind. Some people even go so far as to say that even if the railways do lose money on commuters, they should suffer this in return for the right to carry freight. This amounts of course to nothing less than a community tax, and this thinking, if carried to its logical extreme, could lead to bankruptcy for small railroads whose commuter operations are relatively large, and would certainly cripple all railways in their competitive struggle in other traffic areas."<sup>11</sup>

The reasons for commuter deficits are not hard to find. Commuter traffic is characterized by spectacular peak periods with most of the day's traffic occurring within a short span of time. The peaks are followed by periods of light traffic during which time the railways must keep equipment and staff available.

With the spread of cities into suburbs the peaks are accentuated by the journey to work with no corresponding increase in traffic during the remainder of the day as outlying shopping and business centres cater for suburban residents. Moreover, as new roads, freeways and bridges are constructed, off-peak traffic becomes increasingly difficult to attract. The causes of the commuter deficit are concisely stated in a recent I.C.C. Docket:

"The causes of the increasing unprofitability of commutation service are essentially the same as those affecting passenger traffic generally, namely, a decrease in business and an increase in operating expenses, which because of the adverse conditions peculiar to this service, are abnormally high. The increase in motor travel

between cities and other suburbs is, of course, the principal but not the sole reason for the decline in commutation traffic. The widespread adoption of the five-day week has made Saturday a non-business day along with Sunday. The decentralization of retail business with the commercial growth of the suburbs has lessened the demand for off-peak train service by housewives on shopping trips to the city. Night trains for suburbanites seeking amusements in the city have become unnecessary because of television, so it is said.

For the most part, therefore, the commutation traffic is concentrated in two morning hours and two evening hours 5 days a week. In the idle period the cars do not earn any revenue and must be stored on tracks in metropolitan areas which are expensive to own and maintain. The concentration of traffic also has the effect of requiring the railroad to pay compensation to their engine and train employees engaged in this service during periods of the day when they are necessarily off duty. A round-trip in a morning commutation run usually requires only a few hours, but since a crew is entitled to a minimum of 8 hours' pay, it is usually called on for service also in the afternoon or evening."<sup>12</sup>

The remainder of the passenger deficit is equally serious, though a breakdown of figures is not available to show the proportion of deficit which can be allocated to any class of service.<sup>13</sup>

APPORTIONMENT OF PASSENGER DEFICIT, U.S.A.  
Class I. Railways, 1955 & 1956  
RAILWAY STUDY—1955

| Type of Service                           | Net Railway Operating Deficit (\$) | % of Total |
|---|------------------------------------|------------|
| Dining . . . . .                          | 143,490,837                        | 22.54      |
| Sleeping and<br>Parlour Cars . . . . .    | 142,671,762                        | 22.41      |
| Commutation . . . . .                     | 117,792,787                        | 18.50      |
| Coach—other than<br>Commutation . . . . . | 84,050,515                         | 13.20      |
| Mail . . . . .                            | 55,725,054                         | 8.75       |
| Express . . . . .                         | 49,802,274                         | 7.82       |
| Baggage . . . . .                         | 43,159,345                         | 6.48       |
|   | 636,692,574                        | 100%       |

COAL ASSOCIATION STUDY—1956

| Type of Service                               | Net Railway Operating Deficit | % of Total |
|---|-------------------------------|------------|
| Baggage, Mail,<br>Express and other . . . . . | 213,852,000                   | 30.7       |
| Dining, Club, etc. . . . .                    | 202,995,000                   | 29.1       |
| Parlor and<br>Sleeping Cars . . . . .         | 140,155,000                   | 28.1       |
| Coach . . . . .                               | 139,936,000                   | 20.1       |
|   | 696,938,000                   | 100%       |

<sup>10</sup>SESSIONAL COMMITTEE REPORT, July, 1959, OP. CIT. p.62.  
<sup>11</sup>G. C. Campbell, "Commuter Service: Big Problems: Big Possibilities:" CANADIAN TRANSPORTATION, July 1959. p.32.  
<sup>12</sup>I.C.C. DOCKET No. 31954 Decided May 18, 1959. pp. 73, 74.  
<sup>13</sup>Breakdowns of deficits estimated for the U.S.A. may give some guide to the possible position in Canada. Two studies were presented before the I.C.C., the first table is that of the railway companies, and the second that of the Coal Association.  
Source: I.C.C. DOCKET No. 31954 Decided May 18, 1959. p.31.



It is doubtful whether even the Canadian transcontinental trains are remunerative. The following remarks by Mr. Gordon note this:

"MR. FISHER: I want to ask a general question. You have hinted for several years that the future in passenger service may be a de-emphasis on transcontinental line and emphasis on inter-city service.

MR. GORDON: Yes.

MR. FISHER: What will be the effect there as far as operating expenses are concerned?

MR. GORDON: We are making the most meticulous analysis. We have got to get down to cases as to the type of service particularly on this transcontinental line and we have got to decide whether we are justified in operating what might be called a Super-Transcontinental service or whether we would be better to concentrate on the adequate rather than the spectacular operation.

For example, we have cut the time, as you mentioned a few minutes ago. That costs money. We cannot cut down the scheduled times on any train without having regard to their greater cost and we have to plan that and decide whether it is worth while. Are we going to be able to use a type of train in our passenger service that will be reasonable in terms of its loss?

We took the gamble in respect of the 'Super-continental' and so did the C.P.R. in respect of the 'Canadian', to see if by putting on a 'super-duper' type of railway passenger service we could give effective competition to the airlines and the buses—mostly the airlines. Now we have had three years of that experience which has been most discouraging. We are looking at it now to see what is the next step.

As far as I can see at this moment the next step will be a curtailment rather than an enlargement of service. We will, in any curtailment, keep in mind the question of the convenience of the public; but the Super-continental is not a success really."<sup>14</sup>

The causes of the intercity passenger deficit are somewhat broader than those causing the com-

muter deficit, being the additional factor of automobile travel which now accounts for about 80 per cent of inter-city passenger travel and low load factors. Air carriers also take toll of the available traffic, providing about half of the passenger miles in the common carrier market.

### ***Policy Recommendations for the Passenger Deficit***

The railway passenger deficits can be eliminated by undertaking various courses of action. The particular remedy taken should of course be tailored to fit the circumstances surrounding the non-compensatory service in question—a panacea is not available.

A remedy which should be fully explored by railway management is repricing the services, either upwards or downwards depending on particular market conditions and in the light of particular long run out-of-pocket costs. Experiments in passenger pricing such as Pay Later and Family Fare Plans are welcomed. Continued experiments to attract volume traffic should be encouraged.<sup>15</sup>

One course of action unfortunately favoured by the Board of Transport Commissioners is the financing of passenger deficits from freight traffic receipts:

"In its 21% Judgment of March 30, 1948, the Board stated that railway passenger services and freight services are inter-related and revenue losses or deficits from passenger services on the one hand must necessarily be compensated by earnings from freight on the other if railways are to continue to operate and furnish required services, and the Board disagreed with the submissions that it could authorize no increase in freight rates, if such increase to some degree were necessary to correct deficiencies in aggregate railway earnings growing out of inability of the passenger service to meet its full share of the revenue burden. The Board confirms this previous view."<sup>16</sup>

Equalization of passenger fares as a policy has even less to be said for it than the equalization of freight rates. Freedom of consumer choice is

<sup>14</sup>SESSIONAL COMMITTEE REPORT, July 1959. OP. CIT. pp.71,72.

<sup>15</sup>I.C.C. DOCKET NO. 31954, OP. CIT. p.98 says:

"We may repeat here the statement made earlier that the prescription of fares is not within the scope of this proceeding and that the question of higher or lower fares is not answered by evidence before us. However, it should not be inferred from this comment that we do not regard pricing as a crucial problem. Although certain carriers are making serious efforts, there is urgent need for development of sound and imaginative pricing policies capable of fully exploiting whatever potential the railroads may have for sharing in the travel market, and whatever possibilities may exist for reasonable financial returns. More than mere experimentation with increased or decreased fares is called for. The requisite minimum for development of industry-wide pricing policies, it seems to us, is continuous and systematic measurement and analysis of demand for and the costs of providing such service using modern tools of economic analysis."

<sup>16</sup>148 J.O.R.R. 16A p.18.





more widespread for passengers than for freight shippers and if some fares are higher than the costs of performing the service then the alternative will often be chosen.

It is urged, in the case of passenger fares, that on routes where costs are low then fares should also be low, and where costs are high then rates could be correspondingly high.

However much experimentation is done with rates or fares, the cure for passenger deficits does not lie solely within the hands of management. In this respect the Port of New York Authority made a vivid statement regarding its own operations recently:

"Since 1926 the Port Authority has been almost continuously engaged in various studies of rail rapid transit, which was, even at that time, 30 years ago, regarded as a critical public problem. Throughout these studies, the Port Authority was conscientiously and continuously looking for a solution of the financial problems involved in the operation and improvement of rail transit and commuter operations within the framework of the Port Authority's method of financing public projects on a self-supporting basis. We have searched through the years for any plan or type of service or combination of facilities or new technological developments in the field of transit, that might afford any basis for the hope of a self-supporting transit operation. We have searched for 30 years and we have never found that kind of answer. We are convinced as a result of these 30 years of study of this problem that rail rapid transit cannot be operated on a self-supporting basis."<sup>17</sup>

As the Authority suggests, the most persistent

deficits cannot be cured by re-pricing or experiments in service. Even a fare structure based on what the traffic will bear may still be below out-of-pocket costs, or any conceivable standard of service may not succeed in attracting a sufficient volume of traffic. One solution in such a situation is total abandonment of the particular service which incurs the deficit. It is admittedly a difficult matter for a railway to determine whether a service is compensatory or not. If a service brings in any revenue at all over and above long run out-of-pocket costs then it is worth retaining that service as the resulting contribution to overheads reduces the burden placed on other traffic.

This being so, the question to be asked by railway management is whether the cessation of a suspect service will increase or decrease the net revenue of the company. Put another way, does the additional revenue earned by the railway as a whole by retaining the service exceed or fall short of its long run out-of-pocket costs?<sup>18</sup>

The costs to be saved by abandonment include not only direct labour costs but also equipment and probably building renewal costs as well. Revenue foregone by terminating the service is more difficult to assess. In the case of a branch line traffic originating and terminating on the line is lost. For through traffic originating on the branch line or terminating thereon only market analysis could determine how much traffic would still go by main line service, even though some part of the transport would be performed by competitive transportation. For main line services, all originating and terminating traffic would, of course, be lost by abandonment.

It is urged that the railways continue to press

TABLE XX  
ESTIMATED DISTRIBUTION OF INTERCITY PASSENGER MILES  
BY TYPE OF CARRIER FOR SELECTED YEARS.  
(000,000 passenger-miles)

| YEAR       | Private Car | Rail  | Bus   | Air  | Total  |
|------------|-------------|-------|-------|------|--------|
| 1928 ..... | 4,886       | 3,141 | 179   | NA   | 8,206  |
|            | 59.5%       | 38.3% | 2.2%  | —    | 100%   |
| 1936 ..... | 6,041       | 1,726 | 377   | NA   | 8,144  |
|            | 74.2%       | 21.2% | 4.6%  | —    | 100%   |
| 1953 ..... | 20,110      | 2,882 | 1,817 | 744  | 25,553 |
|            | 78.7%       | 11.3% | 7.1%  | 2.9% | 100%   |

Source: J. C. Lessard TRANSPORTATION IN CANADA, Royal Commission on Canada's Economic Prospects; Ottawa, 1956. p.101.

<sup>17</sup>STATEMENT BY COMMISSIONERS OF THE PORT OF NEW YORK AUTHORITY before certain Committees of the House of Assembly of the State of New Jersey, Trenton, N.J., Nov. 24, 1958. Quoted in I.C.C. DOCKET NO. 21954, op. cit. p.77.

<sup>18</sup>This analysis is applied by Gilbert J. Ponsonby, in "The Closing of Branch Lines and Intermediate Stations," BRITISH TRANSPORT REVIEW, April 1951.



for abandonment of services and that the Board of Transport Commissioners be sympathetic towards them, for all services which have no prospect of covering long run out-of-pocket costs whatever rate or service standards are adopted.

It must be realised by all concerned that rail is no longer the backbone of the transportation system for passengers. This can be seen from Table XX.

The fact that railways in 1953 were responsible for only 11.3% of the inter-city travel market

(and today somewhat less) whereas in 1928 it provided almost 40% of the passenger miles, indicates that radical changes have taken place. Today numerous alternative transportation facilities are available and railroad monopoly in this field does not exist; therefore new thinking is needed on abandonment policy. There can be no question that economic changes now demand the abandonment of all services which are performed at out-of-pocket losses and for which there is no future prospect of compensatory earnings. Failure

TABLE XXI  
REVENUE PASSENGERS CARRIED AND PASSENGER TRAIN MILES  
CANADIAN PACIFIC RAILWAY AND CANADIAN NATIONAL RAILWAY, 1928-1958

| YEARS     | PASSENGER TRAIN MILES |                |                  | PASSENGERS     |                |                  |
|-----------|-----------------------|----------------|------------------|----------------|----------------|------------------|
|           | CPR<br>(000's)        | CNR<br>(000's) | TOTAL<br>(000's) | CPR<br>(000's) | CNR<br>(000's) | TOTAL<br>(000's) |
| 1928..... | 21,990                | 26,900         | 48,890           | 14,751         | 19,697         | 34,448           |
| 1929..... | 21,975                | 27,104         | 49,078           | 14,054         | 19,251         | 33,305           |
| 1930..... | 21,836                | 27,664         | 49,500           | 12,446         | 17,554         | 30,000           |
| 1931..... | 19,693                | 24,631         | 44,324           | 9,442          | 13,196         | 22,638           |
| 1932..... | 17,998                | 19,890         | 37,888           | 7,916          | 10,364         | 18,280           |
| 1933..... | 16,220                | 18,536         | 34,756           | 7,174          | 9,435          | 16,609           |
| 1934..... | 16,025                | 18,402         | 34,427           | 7,593          | 10,080         | 17,673           |
| 1935..... | 16,098                | 18,639         | 34,737           | 7,424          | 9,721          | 17,145           |
| 1936..... | 16,190                | 18,174         | 34,364           | 7,387          | 10,099         | 17,486           |
| 1937..... | 16,538                | 19,285         | 35,823           | 7,821          | 10,888         | 18,709           |
| 1938..... | 16,473                | 18,723         | 35,196           | 7,454          | 10,289         | 17,743           |
| 1939..... | 16,398                | 18,678         | 35,076           | 7,255          | 10,145         | 17,400           |
| 1940..... | 16,622                | 19,172         | 35,794           | 7,781          | 11,204         | 18,985           |
| 1941..... | 17,671                | 20,770         | 38,441           | 9,145          | 17,681         | 26,826           |
| 1942..... | 19,078                | 22,598         | 41,676           | 13,457         | 30,363         | 43,820           |
| 1943..... | 20,015                | 23,820         | 43,835           | 17,597         | 34,501         | 52,098           |
| 1944..... | 20,586                | 24,217         | 44,803           | 18,461         | 35,928         | 54,389           |
| 1945..... | 20,794                | 24,600         | 45,394           | 17,741         | 30,371         | 48,112           |
| 1946..... | 20,230                | 23,581         | 43,811           | 15,584         | 22,320         | 37,904           |
| 1947..... | 20,031                | 23,346         | 43,377           | 14,636         | 21,227         | 35,863           |
| 1948..... | 20,205                | 23,901         | 44,106           | 13,629         | 20,083         | 33,712           |
| 1949..... | 20,117                | 23,740         | 43,857           | 11,969         | 18,678         | 30,647           |
| 1950..... | 19,601                | 22,387         | 41,988           | 10,541         | 16,820         | 27,361           |
| 1951..... | 20,060                | 24,413         | 44,473           | 10,461         | 17,323         | 27,784           |
| 1952..... | 20,610                | 25,534         | 46,144           | 9,868          | 18,833         | 28,701           |
| 1953..... | 20,641                | 24,949         | 45,590           | 9,427          | 18,081         | 27,508           |
| 1954..... | 20,277                | 24,316         | 44,593           | 9,529          | 17,859         | 27,388           |
| 1955..... | 19,892                | 23,560         | 43,452           | 9,544          | 16,811         | 26,355           |
| 1956..... | 18,344                | 24,268         | 42,612           | 8,906          | 15,989         | 24,895           |
| 1957..... | 16,764                | 23,820         | 40,584           | 8,037          | 13,920         | 21,957           |
| 1958..... | 16,235                | 23,075         | 38,310           | 7,746          | 12,737         | 20,483           |

Source: Canadian National Railways } 1923-1957 D.B.S., Ottawa  
 Canadian Pacific Railways }  
 Annual Reports—Canadian National Railways and Canadian Pacific Railway—1958





TABLE XXII  
PERCENTAGE DECREASES IN PASSENGERS CARRIED AND PASSENGER TRAIN MILES.  
CANADIAN PACIFIC RAILWAY AND CANADIAN NATIONAL RAILWAYS, 1928-1959

|                                 | Years   | Percentage Decreases |             |            |
|---------------------------------|---------|----------------------|-------------|------------|
|                                 |         | C.P.R.<br>%          | C.N.R.<br>% | Total<br>% |
| Passengers . . . . .            | 1928-58 | 47                   | 35          | 43         |
| Passenger train-miles . . . . . |         | 24                   | 14          | 22         |
| Passengers . . . . .            | 1948-58 | 43                   | 37          | 38         |
| Passenger train-miles . . . . . |         | 20                   | 4           | 13         |
| Passengers . . . . .            | 1953-58 | 18                   | 30          | 24         |
| Passenger train-miles . . . . . |         | 21                   | 7           | 16         |

Source: Table XXI

to abandon such services constitutes an unfair burden on shippers of freight from whom must be recouped any losses.

Abandonment is not very easy, however, and strong objections are usually raised when application is made to the Board. Mr. Gordon says:

"We would like to accelerate (the abandonment programme) in many cases, but when it comes to the abandonment of lines, as I said earlier today, that carries very fierce opposition, and we cannot abandon a line without an order from the Board of Transport Commissioners. We have a Hearing because anyone who has any reason, legitimate or otherwise, to object to that, has the privilege of appearing before the Board and stating his objections. The abandonment of lines is one of the things we must do in many cases to cut down our deficit, but the resistance and the objections that are raised every time makes that practice very difficult indeed."<sup>19</sup>

Abandonment has not taken place as rapidly as the decrease in passenger traffic, indicating that management has not been successful in trimming services to match the traffic or that difficulties have arisen in abandonment cases before the Board of Transport Commissioners. This can be seen from Tables XXI and XXII. A good number of passenger trains have been discontinued over the thirty-year period 1928 to 1958 as indicated by the fall in passenger train miles. However, this

fall is not commensurate with the fall in the number of passengers. Some of the difference, but not all, can be accounted for by an increase in the average length of haul. It is seen, for example, that in the period 1928-1958 passenger traffic for the two major railways declined by 43 per cent but passenger train miles declined only by 22 per cent. In the period 1953 to 1958 Canadian National's passengers fell by 30 per cent but train miles declined by only 7 per cent.

There will always be strong objection to abandonment by an interested minority. Yet it is clear, by reason of the fact that the service is not compensatory, that the majority of the customers have already shifted their patronage to competitive media. The reluctance of the potential customers to remunerate the providers of the service is indicative that it is no longer required.

It is often said by railway interests<sup>20</sup> that services should be maintained (and subsidized) in order to prevent thousands of commuters from being thrown on to an already congested highway system. Such an objection to abandonment has validity but the choice must lay with the highway building authority concerned. If, instead of spending on improved highways to move traffic it could achieve the same results at a lower cost by subsidizing a commuter service, then it should do so. Freight shippers by rail should not be asked to contribute to a local cause.

The vociferous objections to abandoning com-

<sup>19</sup>SESSIONAL COMMITTEE REPORT, July 1959, OP. CIT., p. 94.

<sup>20</sup>For example, George Alpert, President, New York, New Haven and Hartford Railroad, in "Subsidies for Commuter Service?" OFFICIAL PROCEEDINGS OF THE NEW YORK RAILROAD CLUB, INC., Feb. 3, 1959, said:

"The first question to determine is whether commuter service by rail is essential to the public welfare. If it is, then something should be done to preserve it. I personally feel that commuter service is very essential because if the scores of thousands of commuters which are carried by rail are thrown upon the highways, chaos and congestion will follow, which will paralyze these Metropolitan centres."



muter services usually, however, emanate from the aggrieved communities served by the line. Here again the problem is a local one and not one to be solved by high freight rates. The public interest should not be construed narrowly as a local interest but as the broader interest of all Canadians, including freight shippers. If a community deems the service to be essential then it should find the means, either by subjecting itself to fare changes or by subsidy, or a contractual arrangement with the railway, to maintain it.<sup>21</sup>

Should local commuter deficits have the effect of lowering the effectiveness of overall rail service then the matter may be deemed to be of national concern. In this case the Federal Government, and not the shippers, should be dispensers of public benefits.

The same reasoning is applied to the keeping open of lines declared to be strategic or otherwise essential for national defence. In this respect the remarks of the I.C.C. in the recent passenger deficit docket could equally apply to this country:

"This record does not indicate that the railroad industry has the financial ability to retain any of its service or facilities solely as standby capacity. Those who benefit from any standby capacity that should be maintained must assume the obligation of financing such standby service to the extent of their needs."<sup>22</sup>

Professor Healy offers a similarly pertinent comment:

"At the other extreme the unwillingness to pay the costs of rail passenger transport suggests that continued allocation of resources to that mode does not meet the test of their effective use and should not be required as a matter of public policy. In recent years an additional public consideration has been the potential

need of passenger service for security reasons. Here public policy should be no different than for industry at large, where stock piling is undertaken by government as a defense expense. Such passenger facilities as the military may deem necessary should be the responsibility of the defense budget."<sup>23</sup>

It is specifically recommended in this submission that in the light of the present day alternative transportation facilities and unwarranted burdens on freight shippers, abandonment of non-compensatory passenger services be sympathetically considered by the Board of Transport Commissioners. Where such services are deemed to be in the public interest then a subsidy should be paid to the railway which dispenses public benefits by the body requiring such a service.

### **Policy Recommendations regarding Branch Lines and Service to Intermediate Stations**

Branch line traffic and traffic to intermediate stations may be freight, passenger or both. It is submitted that the same principles should apply as those put forward for passenger deficits, namely, in respect of unremunerative branch lines and stations railways should do all in their power to increase revenues by rate adjustments, upwards or downwards, and by adjustment of service to fit the demands of potential customers. Where such measures still do not bring in sufficient revenues to cover long run out-of-pocket costs the question of abandonment should be considered. In the light of the growth of trucking, car and bus travel and airlines, abandonment should not pose serious problems in view of the availability of alternative service. In these cases the Board has shown willingness to allow abandonment.<sup>24</sup>

<sup>21</sup>The Canadian National Railways sees pressure for an extension of commuter services into new urban areas but is of the opinion that commuter service is inherently unprofitable at any level of fares. Therefore, Mr. Gordon suggests that the C.N.R. is willing to enter contractual arrangements with municipalities desiring service to safeguard the railway from losses. STATEMENT BY MR. DONALD GORDON, C.N.R., before the Royal Commission on Canada's Economic Prospects, Montreal, Jan. 19, 1956 (mimeo.) p.16.

<sup>22</sup>I.C.C. DOCKET, No. 31954. OP. CIT. p.101.

<sup>23</sup>HEALY, OP. CIT. p.433. This view is concurred in by James C. Nelson, RAILROAD TRANSPORTATION AND PUBLIC POLICY, Washington, D.C., The Brookings Institution, 1959, p.313.

<sup>24</sup>The general policy of the Board of Transport Commissioners in abandonment cases is set out in 49 J.O.R.R. 2 at pp.64-66 when the Canadian National Railways' application for discontinuance of the commuter service operated between Quebec City and St. Joachin, P.Q. was decided. The Board, in its Judgment, said:

"Aside from what was put before us during the hearings and in the various written submissions, I should state that, prior to the hearing, one of the Board's Operating Inspectors visited the area, made a complete investigation and submitted his report to the Board under date of August 27, from which it should be clearly understood that in matters such as this the Board does not rely entirely on submissions made by either the Railways or the respondents but conducts its own investigation.

"In order to show that this is not an isolated case, I would now refer to some previous decisions of the Board as relating to cases originating on the Canadian National Railways, the London and Port Stanley Railways, the Lake Erie and Northern and Grand River Railways (electric lines subsidiary to the Canadian Pacific Railway) and the New York Central Railway.

CANADIAN NATIONAL RAILWAYS, WESTPORT SUBDIVISION, 1952. Reported in C.R.T.C. 69, page 136. Complete abandonment of operation of 40.61 miles of line. System saving in line abandoned \$83,035 per annum. Application approved.

LONDON AND PORT STANLEY RAILWAY, 1957. Reported in C.R.T.C. 74, page 295. Abandonment of passenger service between London, Ontario and Port Stanley, Ontario, a distance of 24 miles. Saving if passenger service abandoned, \$6,000 per month.

Application approved.

LAKE ERIE & NORTHERN AND GRAND RIVER RAILWAYS. Reported in C.R.T.C. 72, page 290. Abandonment of passenger service





between Kitchener, Ontario, and Port Dover, Ontario. There is no record of the savings effected in this case. The headnote in the C.R.T.C., however, reads as follows:

"Because of a steady decline in passenger traffic the Railways asked approval of a proposal to discontinue passenger train service and to replace it with service upon parallel highways. The Board granted the application subject to possible future review but observed that in some respects the plan would improve the service."

**NEW YORK CENTRAL RAILROAD.** This is the most recent case. The Railway made an application to completely discontinue its passenger service between Montreal, P.Q. and Malone, N.Y., a distance of some 60 miles. The case was decided in 1958 and is not yet reported in C.R.T.C. The trains in question were largely used by commuters. The saving to the Railway, if passenger service were discontinued, was said to be approximately \$100,000 per annum. The application was granted.

In all of the above mentioned cases it was clearly proven that good highways more or less paralleled the railway and there were other adequate means of transportation.

In cases such as this, the Board endeavors to appraise the situation in all respects and, in particular, we ascertain what transportation facilities exist in the area concerned. We look at the expense of operating the trains, the extent to which the public patronize the train service and we weigh the savings the Railway would make if the application is granted against such loss and inconvenience as the public may suffer as a result of the change.

From what was set forth in the application, the report of the Board's Operating Inspector, the exhibits, evidence, argument and briefs presented during and following the hearing, the Board was satisfied that other adequate means of transportation facilities exist in the area concerned and that the losses to the Railways outweigh the inconvenience to the public which would result from the abandonment of the commuter service."

When there is no reasonable alternative means of transportation the solution must be sought elsewhere. If the problem is deemed to be of a national public interest then a Federal subsidy should be made available to railways in return for the continuance of service. The recovery of out-of-pocket losses from shipper of captive traffic which is not subject to competition has obvious inequities which will not diminish with time. In these matters the Province of British Columbia endorses the comments of the Gordon Royal Commission on Canada's Economic Prospects:<sup>25</sup>

"It is with these considerations in mind that we suggest that the Board of Transport Commissioners should vigorously follow up the suggestion of the Turgeon Commission to permit more abandonment of unprofitable branch lines and other unremunerative services. With the growth of bus and trucking services this could

be done in many cases with little or no loss to the public in terms either of convenience or of cost, particularly as the roads are now increasingly being kept open and serviceable throughout the winter. In those few localities where no other transportation is available it would seem reasonable to permit the railways themselves to operate bus and trucking facilities, subject to those same safeguards of the public interest which are applied to similar services in the province concerned. Some provinces virtually prohibit the introduction of more economic substitute services by the railroads; this, however, should not deter the railways from applying for, and the Board from granting, line abandonment in these circumstances—the provincial authorities always have the alternative open to them of licensing some other service.

<sup>25</sup>ROYAL COMMISSION ON CANADA'S ECONOMIC PROSPECTS. Final Report. Ottawa, 1957. p.284.

## CHAPTER 4

### CROWSNEST GRAIN RATES

#### **Purpose of the Rates**

The history of the Crowsnest rates is well known and need not be reiterated in this brief.<sup>1</sup>

The purpose of these statutory rates are equally well known. "... the westbound reduced rates were given on those things which the western settlers required most urgently for the operations of farming and for the erection of barns and dwellings. The low eastbound rates, on the contrary, were given on those things of which there was a surplus production and which had to be sent to or through the markets of eastern Canada."<sup>2</sup> The Turgeon Report notes that the reduced rates were intended to assist the grain growing industry of the prairies which had the promise of becoming a major factor in the Canadian economy.<sup>3</sup> "... their primary intention was to relieve the people then in the west of a grievous

burden, with the further expectation that they would induce a great increase in the population of the Prairies and the development of an industry which it was in the interest of all of Canada to foster."<sup>4</sup>

There is little doubt that this industry has grown and has become of immense benefit to Canada, grain and grain products constitutes one of our major exports.<sup>5</sup>

#### **Changes in Economic Conditions**

The laudable objectives of the Crowsnest rates were defined at a time when economic conditions were very much different from those of today, or even those of 1949 when the Turgeon Commission was holding its hearings. The Turgeon Commission did not think that the time had arrived for Parliament to relinquish control of the rates. However,

<sup>1</sup>Histories are contained in R.A.C. HENRY, RAILWAY FREIGHT RATES IN CANADA, prepared for the Royal Commission on Dominion-Provincial Relations, Ottawa: 1939, p. 178 et seq; A. W. CURRIE, ECONOMICS OF CANADIAN TRANSPORTATION, Toronto: University of Toronto Press, 1954, pp. 124-132; REPORT OF THE ROYAL COMMISSION ON TRANSPORTATION, 1951, Ottawa: 1951, pp. 238-243.

<sup>2</sup>A. W. JACKMAN, ECONOMIC PRINCIPLES OF TRANSPORTATION, Toronto: The University of Toronto Press, 1935, p. 246.

<sup>3</sup>ROYAL COMMISSION ON TRANSPORTATION, 1951, op. cit. p. 238.

<sup>4</sup>Ibid. p. 247.

<sup>5</sup>Of greater importance in the export trade of Canada and giving similar benefits to Canada is lumber. The trade has grown to such eminence though the producers have never asked, nor have received, any similar statutory rates. It may be worth contemplating what a position lumber could have attained in overseas markets given the same rate advantages as grain.



it noted that "such a time may come later with the evolution of the country's economic position."<sup>6</sup> It is submitted that this time has now arrived due to the vastly changed economic conditions since 1899 and even since 1949.

In 1949 the Annual Consumer Price Index stood at 100 and in 1958 stood at 125.1. The Index of General Wholesale Prices which was 198.3 in 1949 was 227.8 in 1958 and in October 1959 was 230.1.

Over the entire period during which the rates

have been in effect railway costs have risen enormously; the rates have remained the same and the value of the dollar has shrunk considerably. Hence, the railways are actually earning less in real money terms than they were in 1899 or in 1949 from the carriage of grain.

The average of salaries and wages for railway employees has risen from \$2,721 in 1949 to \$3,530 in 1956.<sup>7</sup>

The acreage, yield and total value of grain crops has risen in these years:

TABLE XXIII  
AVERAGE YIELDS, PRODUCTION AND VALUE OF PRINCIPAL  
GRAIN CROPS, 1945-49 AVERAGE AND 1956

| CROP AND YEAR     | Yield per acre.<br>bu. | Production<br>'000 bu. | Total Value<br>\$000 |
|-------------------|------------------------|------------------------|----------------------|
| WHEAT             |                        |                        |                      |
| av. 1945-49 ..... | 14.8                   | 362,774                | 587,412              |
| 1956 .....        | 25.2                   | 573,062                | 614,818              |
| OATS              |                        |                        |                      |
| av. 1945-49 ..... | 28.4                   | 326,437                | 219,370              |
| 1956 .....        | 44.8                   | 524,445                | 300,189              |
| BARLEY            |                        |                        |                      |
| av. 1945-49 ..... | 21.5                   | 141,171                | 133,431              |
| 1956 .....        | 32.1                   | 269,065                | 195,551              |

Source: CANADA YEAR BOOK, 1957-58, p.426

Production of grain in the prairie provinces has increased since 1949 also;

TABLE XXIV  
PRODUCTION OF GRAIN IN THE PRAIRIE PROVINCES, SELECTED YEARS, 1948-1958

| GRAIN          | 1948<br>000 bu. | 1950<br>000 bu. | 1952<br>000 bu. | 1956<br>000 bu. | 1958<br>000 bu. |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Wheat .....    | 356.0           | 439.0           | 678.0           | 551.0           | 346.0           |
| Oats .....     | 222.8           | 255.0           | 346.0           | 400.0           | 240.0           |
| Barley .....   | 142.0           | 157.0           | 281.0           | 262.0           | 238.0           |
| Rye .....      | 24.7            | 11.0            | 22.3            | 6.3             | 5.4             |
| Flaxseed ..... | 17.4            | 4.4             | 10.7            | 34.6            | 22.5            |

Source: HANDBOOK OF AGRICULTURAL STATISTICS 1908-1958

Part I: Field Crops; Dominion Bureau of Statistics, Ottawa.

The carryover of grain, stimulated by such measures as statutory grain rates, has increased in the last ten years:

TABLE XXV  
CARRYOVER OF CANADIAN WHEAT AND OATS IN CANADA  
1948-49 AND 1957-58

|                   | (Million bu.) |       |
|-------------------|---------------|-------|
|                   | Wheat         | Oats  |
| Av. 1948-49 ..... | 90.5          | 54.2  |
| Av. 1957-58 ..... | 686.4         | 190.6 |

Source: GRAIN TRADE OF CANADA, 1957-58. p.105

<sup>6</sup>ROYAL COMMISSION ON TRANSPORTATION, 1951, OP. CIT. p. 249

<sup>7</sup>CANADA YEAR BOOK, 1957-58. p. 819 and RAILWAY TRANSPORT, 1956, Part II, Dominion Bureau of Statistics, Ottawa.





In 1899, when the Agreement came into effect, the price of wheat was 70 cents per bushel.<sup>8</sup> Now it is over \$1.60.

These changes in economic conditions lead Professor Currie to say:

"Wages have risen, materials cost more; traffic has grown in volume, numerous technological improvements have taken place; and interest rates have declined, yet rates on port grain remain unchanged. On no other commodity in Canada and probably in no other part of the world are rates held down by statute to the level prevailing in the nineteenth century."<sup>9</sup>

Not only have economic and agricultural conditions changed over the years but the Statutory rates are now applicable over a much wider range of commodities and railway lines. Currie notes that:

"In 1897 Crowsnest rates applied to grain, flour, oatmeal and millstuffs. Now they cover barley, buckwheat, corn (except for popping), oats, rye, spelts, wheat alfalfa meal, barley cleanings, breakfast food or cereals (uncooked in bags, barrels or cases) bran, buckwheat flour, chopped feed, corn flour, corn meal, crushed oats, feed grain in sacks, flour made from grain only, grits, groats, malt, middlings, millfeed, oat hulls, oatmeal, pearl or pot barley in bag or barrels, rolled oats, rolled wheat, rye flour or meal, sweepings and screenings, shorts, barley sprouts, wheat meal and flaxseed."<sup>10</sup>

The rates originally bound the Canadian Pacific Railway to carry grain and flour eastbound. After 1925 the rates were made to apply to west-bound traffic also. At that time the rates were extended to all lines west of Fort William even though constructed after 1899. Moreover, the rates now apply to other railways in the west as well as to the Canadian Pacific.

Shipments to Hudson Bay were subsequently included by voluntary action of the Canadian National Railways.

The rates were originally applicable on west-bound grain over 3,000 track miles. They are now applicable in both directions to over 17,000 track miles.<sup>11</sup>

### **Amount of Loss on Export Grain**

If railways are shown to be carrying the Crowsnest grain at rates which do not cover long run out-of-pocket costs then plainly a subsidy is being given to export grain.

The amount of this out-of-pocket loss, or subsidy, is not known at this stage and obviously varies with the size of the crop each year—the amount varying inversely with the tonnage carried.

Some statements on the estimated loss may be drawn together however.

1. "It will be seen . . . that in 1952 grain and grain products (carried by the C.P.R.) accounted for 44.3 percent of revenue ton-miles., i.e. the physical volume of traffic. This movement of the grain crop resulted in a *loss* to overhead of 6.8 per cent."<sup>12</sup>
2. "The Railways made a rough estimate that this distortion resulted in 1952 in a direct loss to overhead of \$65 million. The 1953 and 1954 direct and indirect losses attributed to the same cause may far exceed this figure if, as they must be, indirect consequences such as loss of high-rated freight to competitive forms of transportation and the loss of revenue from rates lowered to meet this challenge are placed on the scale."<sup>13</sup>
3. "Therefore, while the exact dollar deficiency from Crowsnest grain (carried by C.P.R. in 1948) in western Canada is not available, it will be seen that it is somewhere between \$13,769,000 and \$16,947,000."<sup>14</sup>
4. The loss in 1958 (total cost less total revenues) is alleged to be \$30 million for C.N.R.<sup>15</sup> and \$35 million for C.P.R.<sup>16</sup>

### **The Burden of the Loss**

Whatever the size of the out-of-pocket losses incurred it represents a subsidy to the shippers of grain, who thereby receive higher profit margins per bushel than would otherwise be the case.

The pertinent question becomes whether or not such a subsidy should be continued. Does Canada still wish to assist the grain growing industry on the prairies in the interests of the whole

<sup>8</sup>ROYAL COMMISSION ON TRANSPORTATION, 1951. OP. CIT. p. 247

<sup>9</sup>Currie, OP. CIT. p. 124

<sup>10</sup>IBID. Footnote p. 642.

<sup>11</sup>IBID. p. 125

<sup>12</sup>"Sloan Report", in THE LABOUR GAZETTE, Vol. IV, No. 1, Jan. 1955, p. 53.

<sup>13</sup>IBID. p. 54

<sup>14</sup>SUBMISSION OF CANADIAN PACIFIC RAILWAY COMPANY TO THE ROYAL COMMISSION ON TRANSPORTATION, Part I. Montreal, Oct. 1949, p. 188.

<sup>15</sup>SUBMISSION BY CANADIAN NATIONAL RAILWAYS TO THE ROYAL COMMISSION ON RAILWAY TRANSPORTATION IN CANADA, Montreal, Oct. 15, 1959, computed from data in p. 2

<sup>16</sup>SUBMISSION OF CANADIAN PACIFIC RAILWAY COMPANY TO ROYAL COMMISSION ON RAILWAY TRANSPORTATION IN CANADA, Montreal, Oct. 14, 1959, p. 10



Dominion? There is little doubt that stimulation to the industry should still be given in the interests of Canada. Any increase in freight rates for the grain farmers would be serious socially and economically at this time.

However, if it is agreed that the subsidy be continued the question of who should pay it arises. It has variously been suggested that it is now being paid by railway labour, by the railways themselves, and by shippers of other traffic.<sup>17</sup>

It is doubtful whether the subsidy is being borne by the railways as each rate increase on other traffic has resulted in an increase of revenue for the railways.<sup>18</sup>

Though there may well be credence in the Sloan suggestion that railway labour is subsidizing Crowsnest grain it would appear that most of the burden is being borne by shippers of other traffic. This view is taken by Commissioner Chase in the 17 per cent case:

"'Just and Reasonable' must be interpreted to mean just and reasonable to both the public and the railways. This being so, then having regard to the serious distortions in the freight rate structure the Board is finding it increasingly difficult to perform its duty, viz., to maintain 'just and reasonable freight rates', principally because it is unable to make any change in the so-called 'Statutory Rates'." Commissioner Chase further remarks: "The increases in wages and material prices apply and relate to all phases of railway operations but unlike the ordinary business concern the railways cannot pass such increases on to the ultimate consumer with respect to, say, 25% of the freight traffic handled but must endeavour to secure the additional revenues required to meet the increases in operating expenses **from other segments of traffic** and only then provided they can retain the handling of such traffic. Yet the statutory grain and related rates are on the level of 1899."<sup>19</sup>

There is little doubt that out-of-pocket losses on grain have led to rate increases on other traffic being greater than they would otherwise have been. In other words, any required increase in rates would be borne by a larger base if export grain were included.

Moreover, the base upon which the rate increases can rest becomes even smaller with the passage of time and the growth of competition.

Shippers of traffic who have no reasonable alternative transportation available are called upon to subsidize Crowsnest grain to a much greater extent than anyone else. The incidence of freight rate increases constitutes a considerable burden on these shippers who are precluded by the nature of their traffic and distances to their markets from recourse to competitive agencies.

As Chief Justice Sloan said:

"It will be seen that the freight rate structure is in a state of distortion and imbalance due in great measure to the effects thereon of the Crowsnest Pass rates. The structure is in the form of an inverted pyramid—too small a base is carrying too great a burden . . . The freight rate structure, as I have said, is in a state of distortion. Even small cyclical business recessions react with quick depressive force upon railway revenues because of the narrowness of the profitable rate base and impressive weight it has now been called upon to bear. Increased freight rates would, in all probability, only tend to increase the present imbalance and expose greater areas of railway traffic to outside competition."<sup>20</sup>

Again Mr. Sloan said in his conclusions:

"A major factor contributing to the present serious decline in rail revenue is the distortion and imbalance of the freight rate structure due to the direct and indirect but consequential effects of the Crowsnest Pass rates covering grain and grain products."<sup>21</sup>

This distortion is acute and is not improving as time progresses. Since April 1948 there have been seven general increases with a cumulative increase of 157 per cent to December 1, 1958. These authorized horizontal percentage increases are applied in full only to the 'normal traffic' which excludes coal and coke, international and overhead, import and export, competitive traffic and agreed charge traffic. Grain and grain products for export are also excluded and these account for, as far as C.P.R. is concerned, about 30 per cent of the total but only nine per cent of the revenue.

Most of these increases have been occasioned

<sup>17</sup>For example in THE LABOUR GAZETTE, op. cit. p. 52; in the SUBMISSION OF THE CANADIAN PACIFIC RAILWAY TO THE ROYAL COMMISSION ON TRANSPORTATION, op. cit. p. 151 et. seq; and by Commissioner Chase in 48 JORR 36.

<sup>18</sup>This point is also made by George W. Wilson, "Economics of the Crowsnest Pass Rates", CANADIAN JOURNAL OF AGRICULTURAL ECONOMICS, Vol. VI, No. 1 1958 (reprint, p. 7)

<sup>19</sup>48 JORR 16A 32, 36 (bold face supplied)

<sup>20</sup>THE LABOUR GAZETTE, Jan. 1955, op. cit., pp. 54 and 56

<sup>21</sup>IBID, p. 52





by increased working expenses but the railways are not able to pass these on to all traffic—fully 25% is excluded by virtue of the statutory rates. The burden on the normal traffic is therefore very real and will not be resolved without drastic measures. There is no doubt that because of the statutory rates the rates on normal traffic have to be increased more than they would otherwise. The normal traffic is becoming a smaller proportion of the whole as railway competitors cut into the market, encouraged by rail rates set to cover losses on grain and other traffic. The problem of the weak competitive position of the railways in this respect is mentioned by Lessard:

"Finally, superimposed on these three forms of internal subsidization are fixed statutory rates on export grain traffic from western Canada. This traffic which normally accounts for approximately 30% of the two major railways' total revenue freight ton-miles is moved at rates (0.5 cents per ton-mile) which are claimed by the railways to be very close to their short-run out-of-pocket costs. This means that the entire overhead cost attributable to the movement of export grain from western Canada has to be recovered from other traffic. The transference of this overhead expense to other-than-grain traffic, much of which is highly competitive, improves the competitive position of other carriers and correspondingly weakens the competitive ability of the railways."<sup>22</sup>

There comes a time when the normal traffic revenues fail to respond to further increases in that losses of traffic make further competitive rates and agreed charges necessary—or traffic is lost altogether.

The extent to which the revenue on normal traffic has declined with successive increases was noted in the last general rate case,<sup>23</sup> shown by Table XXVI.

TABLE XXVI  
ESTIMATED REVENUE ON 'NORMAL TRAFFIC'

| RATE CASE | (\$ millions) |        |        |
|-----------|---------------|--------|--------|
|           | Year          | C.P.R. | C.N.R. |
| 21%       | 1947          | 104.2  | 117.2  |
| 20%       | 1949          | 130.1  | 168.8  |
| 17%       | 1951          | 180.1  | 257.1  |
| 9%        | 1952          | 190.5  | 258.5  |
| 7%        | 1953          | 209.2  | 283.1  |
| 11%       | 1957          | 157.4  | 212.3  |
| 19%       | 1959          | 136.3  | 178.2  |

Source: 48 JORR 16A p.26

It will be noted that each rate increase up to 1953 at first brought in more revenue from normal traffic but since that time there has been a considerable decline.

The problem of the Crowsnest Pass grain rates is primarily that shippers of traffic that is captive to the railways and for which there is no reasonable degree of competition suffer by reason of this grain not bearing its proper share of costs.

### ***Suggested Solution to Alleviate the Burden***

The solution to these problems, is suggested by the Gordon Commission:

"We do not suggest that any change should be made now in these statutory rates. However, within the longer period, improvement in the world wheat situation and the growth of live-stock production in the prairie region may create conditions under which greater flexibility in grain rates could be introduced. Third, in lieu of an increase in the rates on low value commodities and, in particular, those on which the rates have long been established by statute, the government could provide, in the form of a subsidy, such additional amounts as may be necessary to help meet rising railway costs and maintain the efficiency of the railway system. It is with no little hesitation we have come to the conclusion that a short run solution to this intractable problem will probably involve a new charge on the public treasury."<sup>24</sup>

The feeling that the national treasury should bear the cost of unremunerative grain rates is widespread. The same point was made by Mr. Wickens, of the Conciliation Board under the Chairmanship of the Hon. Mr. Justice R. L. Kellock in 1954. Mr. Wickens thought that the rates bore unreasonably on railway labour, and he had this to say:

"Again, if the national welfare makes it necessary to impose upon the railways the duty to provide non-profitable services, then it is the nation as a whole which should provide for them if the railways are unable to, and not the men who work for the railway companies.

With agreements such as the Crowsnest Pass agreement, which fix arbitrarily certain tariffs (and if in the national interest it is necessary to maintain these agreements and by increased working expenses but the railways

<sup>22</sup>J. C. Lessard, *TRANSPORTATION IN CANADA, ROYAL COMMISSION ON CANADA'S ECONOMIC PROSPECTS*; Ottawa, 1956, p. 90

<sup>23</sup>48 JORR 16A p. 26

<sup>24</sup>ROYAL COMMISSION ON CANADA'S ECONOMIC PROSPECTS. Preliminary Report, Ottawa, Dec. 1956, pp. 78-9.



these arbitrary tariffs) the cost thereof, if unsupported by the Companies, should be on the people of Canada as a whole and not on the employees of the companies."<sup>25</sup>

Chief Justice Sloan makes a similar point:

"It is my respectful opinion, however, that the effects of these rates both direct and indirect, wherein their application results in loss of rail revenues, should be shouldered in some fair degree by the national treasury, and not as now, continue to be borne by a segment of the national economy.

If I am right in my conclusion that the direct and indirect effects of the Crowsnest Pass rates are a major contributing factor to the present situation in which the Railways find themselves, and the evidence before me can lead me to no other rational conclusion, then it is my respectful opinion that some fair share at least of this burden should be shouldered by the people of Canada from the national treasury—a suggestion not entirely bare of relevant precedent."<sup>26</sup>

Former Commissioner H. B. Chase made similar observations in the 17% Judgment:

"Turning back to my question, 'What is the solution', I think the answer is that Parliament should find some means whereby the railways would be fairly compensated for the movement of grain and grain products in western Canada carried at statutory and related rates and thereby reduce the amount or avoid the necessity of increases in freight rates on other commodities. . . . In conclusion I wish to make it quite clear that I am not suggesting that the statutory rates should be removed from Parliamentary control. I do, however, with great respect, contend that the time has come for Parliament in the national interest to give this matter careful study and decide what the future policy should be."<sup>27</sup>

The same conclusions are reached in the Final Report of the Gordon Commission:

"Moreover, if for national policy reasons, the Government feels it necessary to provide transportation at reduced rates to certain regions or producer interests, this should be done by openly reimbursing the transportation enter-

prises involved rather than by imposing uneconomic rates which have to be recouped as best they can elsewhere at the cost of substantial misallocation of the country's transport and other resources. The railways in particular should be allowed to earn a reasonable rate of return where their services are economically justifiable, if they are to finance their needed capital expenditures. Indeed, we take it as axiomatic that the public should pay directly for the public interest: they should not transfer their responsibilities to the shoulders of railway labour or the users of Canadian transport. We, therefore, have concluded, although with no little reluctance, that the burden imposed on the railways by the statutory rate on grain traffic could be lifted with the least distortion in the short run by a new charge on the public treasury. Over the longer term we would hope that greater flexibility could be introduced into these rates by the cost reductions which will be effected by the Seaway, by improvement in the world wheat situation and by the growth of livestock production in the Prairie Provinces."<sup>28</sup>

It is submitted by the Province of British Columbia that the suggestions of these authorities be acted upon without delay to relieve the burdened shippers from the freight rates which are higher than they would be in absence of unremitting grain rates.

Specifically, it is recommended that, as the continued stimulation of agriculture in the west and the encouragement of grain exports are in the national interest but shippers of other freight should not be unduly burdened, then:

1. Crowsnest Pass rates should remain under statutory control and at the existing level.
2. A subsidy should be paid to the railways from national funds. The subsidy should recompense the railways for out-of-pocket losses arising from the carriage of such grain, plus a fair contribution to overhead at the end of each crop year.
3. The subsidy should vary with the loss.
4. That the inequities suffered by other shippers as a result of the statutory rates be adjusted from subsidies received by the railways.

<sup>25</sup>THE LABOUR GAZETTE, June, 1954, p. 835

<sup>26</sup>THE LABOUR GAZETTE, Jan. 1955, op. cit. p. 52 and p. 56

<sup>27</sup>48 JORR 16A pp. 33 and 36

<sup>28</sup>ROYAL COMMISSION ON CANADA'S ECONOMIC PROSPECTS, Final Report, Ottawa: Nov. 1957. p. 285





## CHAPTER 5

### THE ONE AND ONE-THIRD RULE

#### *Introduction*

The One and One-Third Rule grew out of the provisions of the long-and-short-haul rule. The origin of the long-and-short-haul clause, Professor Locklin says, "is to be explained largely by the fact that the practice seemed entirely indefensible and contrary to common sense."<sup>1</sup>

It appeared absurd for railways to charge more for a short haul over the same route or line, as Locklin suggests. In addition to the appeal to common sense for the enactment of long and short haul legislation, there is the factor of discrimination:

"We can imagine the residents of point C saying: 'If the rates charged at B are abnormally low, it means that higher rates must be charged at C and other intermediate points; and if the rates at B are not abnormally low but are only reasonable rates, then the rates at C are excessive, yielding the railroad more than a fair profit.' Although this reasoning is not unanswerable, it won many advocates to long-and-short-haul legislation."<sup>2</sup>

In summary it may be said that the rule was made law because of the monopolistic position of railways and the discriminatory practices which occurred in recovering unreasonably high rates from intermediate points where competition was not a factor in keeping rates down as it was at the long haul terminal points. The rule was incorporated into Canadian law by the Railway Act of 1903 as Section 252(3).

It is now contained in the Railway Act, R.S.C. 1952, Sections 317 (5) and (6), and reads as follows:

"317 (5) The Board shall not approve or allow any toll that for the like description of goods, or for passengers carried under substantially similar circumstances and conditions in the same direction over the same line or route is greater for a shorter than for a longer distance, within which such shorter distance is included, unless the Board is satisfied that, owing to competition, it is expedient to allow such toll.  
"(6) The Board may declare that any places

<sup>1</sup>D. Philip Locklin, *ECONOMICS OF TRANSPORTATION*. Homewood: Richard D. Irwin, Inc. 1954. p.497.

<sup>2</sup>*IBID.* p.497.



are competitive points within the meaning of this Act. R.S.C. 170, s. 314."

The transcontinental rates have been permitted by reason of the exceptions permitted in this section.

The one and one-third rule is of more recent origin and is contained in the Railway Act, Section 337. The section reads in part:

"337 (2) Tariffs naming a competitive toll for any transcontinental freight traffic shall provide that:

(a) the toll for freight traffic having its destination at a point in intermediate territory, and

- (i) having its origin at the same point in eastern or western territory,
- (ii) being of the same description, and
- (iii) carried in the same direction and under the same conditions and arrangements as to weight and otherwise,

as the transcontinental freight traffic for which the competitive toll is named, shall not exceed by more than one-third the competitive toll so named to the point of destination in eastern or western territory, as the case may be, nearest to the point of destination in intermediate territory; and

(b) the toll for freight traffic having its origin at a point in intermediate territory, and

- (i) having its destination at the same point in eastern or western territory,
- (ii) being of the same description, and
- (iii) carried in the same direction and under the same conditions and arrangements as to weight and otherwise,

as the transcontinental freight traffic for which the competitive toll is named, shall not exceed by more than one-third the competitive toll so named between such point of destination and the point of origin in eastern or western territory, as the case may be, nearest to the point of origin in intermediate territory. 1951 (2nd Sess. c. 22, s. 7)."

The one and one-third rule was made in order to placate shippers in the intermediate territory who were deprived of the protection afforded by the long-and-short-haul rule by reason of the terminal points being named competitive points.

It is to be noted that while section 317 gives

total relief from long and short haul provisions should competitive points be named, the one and one-third rule limits the relief in the case of transcontinental rates.

Hence the total relief which was given to railways before 1951 was withdrawn by the new rule which applied only to transcontinental traffic and which, therefore, is of direct concern to shippers and consignees in British Columbia.

The purpose of the rule is made clear in the Report of the Royal Commission on Transportation, 1951,

"... when the railways give the trader and consumer at the Pacific Coast the benefit of fast railway service at rates that are very little more than ocean rates and thus provide them with two alternate services at about the same price, the consumers in Alberta and other intermediate provinces are entitled to share in an equitable degree in the beneficial conditions created by the railways."<sup>3</sup>

In making this interpretation to disperse particular benefits the Royal Commission sought to reverse the long standing practice of the Board of Transport Commissioners in granting relief from the long-and-short-haul clause. For this and other reasons the Province of British Columbia submits that the one and one-third rule, Section 337 of the Railway Act, be repealed.

### ***Inequities of the One and One-third Rule***

1. The rule burdens the transcontinental shipper by reason of the long haul rates being higher than they would be otherwise.

The rule burdens shippers and receivers in British Columbia in that they are deprived of potentially favourable railway rates. In the absence of the rule, railways were free to quote competitive transcontinental rates without having regard to intermediate territory. They were allowed to give the advantage of competition to British Columbia while not depriving intermediate points of any advantage which they already enjoyed.

As a result of the rule . . . "Some time after the adoption of the rule they (the railways) revoked some of their transcontinental competitive rates and increased others, thus showing their willingness to abandon the transcontinental traffic rather than accept the enforced reduction for the shorter haul."<sup>4</sup>

<sup>3</sup>REPORT OF THE ROYAL COMMISSION ON TRANSPORTATION, 1951. Ottawa. p.100.

<sup>4</sup>REPORT OF THE ROYAL COMMISSION ON AGREED CHARGES, Ottawa, 1955. p.10.





In this regard Exhibit No. 15 submitted by the Canadian National Railways to that Commission entitled "Statement showing Transcontinental Competitive Commodity Rates from Eastern Canada to British Columbia Pacific Coast points increased since the passage of the One and One-Third Rule" gives detailed information. This Exhibit is attached as Appendix A.

The Canadian Pacific Railway also increased rates as a result of the rule as is indicated by the following passage:

"The railways have already found it necessary to abandon to their competitors a substantial volume of transcontinental traffic due to the existence of the one and one-third rule. The amount of traffic now moving to interior points at rates reduced because of the application of the rule is exceedingly small and the interior points thus gain little or no advantage from the existence of the rule. At the same time industries in Canada which formerly enjoyed markets at the Pacific Coast have had these markets lost or seriously curtailed because of the inability of the Canadian railways to provide transcontinental rates except at an overall reduction in revenues.

Some relief from this situation has been provided through the medium of agreed charges, but if the one and one-third rule were to be applied to these charges this relief would disappear and no agreed charges could thereafter be maintained from eastern Canada to the Pacific Coast, because of the reductions in revenue that they would cause upon traffic to interior points. The application of the one and one-third rule to agreed charges would be of no benefit to the interior territory, and would be detrimental to Canadian producers and the railways.

The one and one-third rule itself has been found by experience to be of no advantage to the interests of this country, and its application to agreed charges would have further serious consequences."<sup>5</sup>

It is true that some rates were later put on an agreed charge basis, but it is obvious that not all commodities in the transcontinental tariffs can satisfy the conditions conducive to agreed charge rate-making. The overall effect of the one and one-third rule has been that British Columbia producers and consumers have had to pay, in the

aggregate, higher freight charges than before the rule was proclaimed.

2. A further grievance is that the original grounds for Alberta's complaint against the relief provisions of the long-and-short-haul clause were narrow and should not be made to apply to all transcontinental traffic. The grounds for complaint against long and short haul relief on transcontinental rates would seem to have been very few, and in the light of growing competition in the intervening eight years since 1951 the probability is that offending rates would be even fewer today. Bearing out the contention that the basis for complaints is narrow, the Turgeon Report says:

"The avowed policy of the railways has been to publish transcontinental rates applicable to commodities which ordinarily move from coast to coast and which are suitable for transportation by steamship. Many of these rates are higher than the rates to intermediate points and, therefore, cause no complaints. Others are very little lower than the rates to intermediate points. There are, however, some transcontinental rates (*relatively few in number*) which are very low in comparison to the rates at intermediate points. These have given rise to bitter complaints."<sup>6</sup>

Some of the rates listed in this category are for canned goods, structural steel, cast iron pipe, cooking oils and flannelette blankets.

Where rates are unreasonable, unjust, or give undue preference or prejudice, there is cause for complaint to the Board of Transport Commissioners. In view of the narrow base of complaint and the ever-increasing competition for the trucking of these commodities to intermediate points, there would seem to be no adequate reason for applying the one and one-third rule to all commodities.

3. Another reason for complaint by the Province of British Columbia is that the rule deprives this region of geographical advantages. The one and one-third rule prevents the coastal regions of British Columbia from enjoying the natural advantages of its geographical location insofar as freight rates are kept artificially high on the coast for the benefit of inland shippers and receivers. Conversely, the rule attempts to go some way towards equalizing the natural disadvantages of interior points. The rule, being introduced into the Railway Act, evidently goes further than the jurisdiction of the Board in that the Board is not

<sup>5</sup>ROYAL COMMISSION ON AGREED CHARGES, Transcript of Evidence, pp.140,141.

<sup>6</sup>REPORT OF THE ROYAL COMMISSION ON TRANSPORTATION, 1951 OP. CIT. p.97. (italics supplied).



allowed to equalize natural advantages or disadvantages while the rule attempts to do just this. For example, it has been stated:

"The situation which this phase of the case presents is made up of the combination of trade competition, situation advantage with its attendant low cost of raw material and efficient water competition. None of these conditions are created by the action of the railways before the Board. Railways are not required by law, and cannot in justice be required, to equalize natural disadvantages such as location, cost of production and the like."<sup>7</sup>

It has been held time and again that rate-regulating commissions have no right whatever to attempt to equalize geographic, climatic, or economic conditions. They are concerned simply and wholly with the question of the reasonableness of the toll which the railway company is seeking to collect for the carriage of a given commodity, irrespective of how it is made, or whence it comes."<sup>8</sup>

4. Further complaint arises that the one and one-third rule is unnecessary discrimination against transcontinental traffic in that the relief provisions of the long-and-short-haul rule are not allowed to become effective, vis-à-vis traffic not on transcontinental routes. In other words, the one and one-third rule has been discriminately applied against transcontinental traffic alone, whereas the railways and the terminal shippers on other routes are given the benefit of long short haul relief where competition exists.

Though total relief from long short haul provisions is normally granted to competitive long haul rates, the one and one-third rule means that only partial relief is afforded to transcontinental traffic. Transcontinental traffic is merely one kind of long haul, and it is difficult to see why it is treated differently. If it is logical to have a one and one-third rule for transcontinental traffic then it would also be logical to apply it to all long-short-haul traffic. Conversely, if it is not logical to have the rule apply to long-short-hauls in general,

then it is not logical to have it apply also only to transcontinental traffic.

The fact that consumers and distributors in Calgary and Edmonton complained about high rates to intermediate points before the 1951 Royal Commission would appear to be the reason for the discrimination against transcontinental traffic. As the principles embodied in long and short haul relief are judged to be sound even by Alberta,<sup>9</sup> then it is submitted that these same principles are sound also for transcontinental hauls.

### ***Effect of Repeal on Intermediate Shippers***

Repeal of the one and one-third rule would not necessarily harm the intermediate shippers, and in fact could bring benefits.

The normal long and short haul relief, if afforded to transcontinental rates, would be of benefit to intermediate points as Professor Jackman suggests:

"This water competition and its influences, direct and indirect, maintain rates to and from the North Pacific terminals which are considerably lower than they would be otherwise, and these low rates are reflected back from the coast into the interior. In reality, both the low rates of Eastern Canada (due to water and United States railway competition) and the low ocean rates and the transcontinental railway rates at the British Columbia coast points are potent influences in holding down the rates to and from the prairie territory."<sup>10</sup>

If the railways engage in the transcontinental haul at low compensatory rates, they will contribute something towards overhead expenses, thus making the contribution by other users smaller than would be the case if the traffic were not carried. If the railways are restricted in their freedom to give low rates, as by the requirement to limit rates to interior points to one-third of the transcontinental rate, then the intermediate points will not benefit.

For example, suppose the transcontinental rate from Montreal to Vancouver was \$2.00 per 100 lbs. before the rule while the rate was \$3.20 to intermediate points. Now, after the rule, the rail-

<sup>7</sup>12 CRC 350 p.356.

<sup>8</sup>18 CRC 347 p.348.

<sup>9</sup>Alberta, before the Turgeon Commission, recommended that relief from the long and short haul rule be allowed if "There is active and compelling competition at the competitive point which is beyond the control of the applicant carrier and such competition is absent at the intermediate point."

(Submission by the Province of Alberta to the Royal Commission on Transportation, THE LONG AND SHORT HAUL RULE, Edmonton, September, 1949, p.111.)

In the transcript of evidence Alberta also agreed on this point:

"MR. SINCLAIR: Q. Can we say that Alberta does not want any rule or any statute or any recommendation that a competitive special commodity rate should automatically operate as a maximum to intermediate points?

MR. HARRIES: A. Yes, I think that would be fair."

(Royal Commission on Transportation, 1951. TRANSCRIPT OF EVIDENCE, December 8, 1949. Vol. 62, p.13050).

<sup>10</sup>W. T. Jackman, ECONOMIC PRINCIPLES OF TRANSPORTATION, Toronto: University of Toronto Press 1935. p.546.





ways must increase the transcontinental rate to the one and one-third relationship, i.e. to \$2.40. Neither Vancouver nor intermediate points benefit.

Because traffic at Vancouver now declines, the contribution to overhead is lower and both rates may well have to be increased again.

Should the railway maintain the \$2.00 rate at Vancouver and hence \$2.67 at intermediate points, then it is conceded that the intermediate points may benefit, but at the expense of railway revenues as a whole and at the expense of railway customers in general.

There can be little doubt that the existence of the rule inhibits railways from quoting low competitive rates to the detriment of both the long and the short haul shippers. The Turgeon Commission recognized this in its Report:

"(the one and one-third rule) . . . would also have a restraining effect on the railways in lowering rates to meet sea competition, because they will know that they can only obtain rates at intermediate points not more than one-third above the rate to the sea coast."<sup>11</sup>

Any deviation from the practice of giving total relief from the long-and-short-haul rule, such as the imposition of the one and one-third rule, involves the railways in a loss of revenues at competitive points as they fear a dissipation of them in non-competitive territory. The intermediate points do not benefit because their rates are higher than they could be if the railways were allowed to accumulate the long haul competitive revenue.

A further danger arises for coastal points in

that once a transcontinental rate has been raised, or denied, because of the one and one-third rule, and trucking competition then exerts itself at the intermediate points, then the one and one-third rate at inland points becomes a paper rate while terminal points suffer needlessly.

**Competition at Intermediate Points**

The one and one-third rule and the long-and-short-haul rule were based on conditions very much different from those of today, when, nine years after the former rule was enacted, motor carrier competition has very largely broken the railway monopoly. There can be little real fear in Alberta today of railway monopoly as that province is near in terms of truck mileage and costs to the coastal points of British Columbia and to eastern Canada. In this latter respect Alberta holds a great advantage over British Columbia where rail-truck competition is practically non-existent.

The only substantial argument against abolition of the one and one-third rule is that a railway monopoly remains at the intermediate points. Even if this were so, then it is unlikely that the railways would attempt to abuse their position—and, if they did, then motor carriers could and would move speedily into the picture in Alberta.

As early as 1955 Commissioner Turgeon was able to note:

" . . . conditions as they exist today cannot be ignored nor the changes that are still taking place. Chief among these are:

1. the growth of highway competition between Eastern Canada and all the Western Prov-

TABLE XXVII  
TON-MILES AND TOTAL MILEAGE BY FOR-HIRE TRUCKS BY PROVINCE, 1957

|                                | ('000)        |               |
|--------------------------------|---------------|---------------|
|                                | Net Ton Miles | Total Mileage |
| Canada . . . . .               | 4,666,800     | 845,025       |
| Ontario . . . . .              | 2,085,348     | 310,544       |
| Quebec . . . . .               | 1,000,717     | 197,826       |
| Alberta . . . . .              | 673,644       | 138,176       |
| British Columbia . . . . .     | 386,333       | 73,197        |
| Saskatchewan . . . . .         | 232,859       | 45,163        |
| Manitoba . . . . .             | 116,751       | 24,402        |
| Nova Scotia . . . . .          | 103,895       | 33,928        |
| New Brunswick . . . . .        | 47,493        | 12,368        |
| Newfoundland . . . . .         | 10,430        | 5,869         |
| Prince Edward Island . . . . . | 9,330         | 2,852         |

Source: MOTOR TRANSPORT TRAFFIC STATISTICS, National Estimates, 1957. D.B.S., Ottawa.

<sup>11</sup>REPORT OF THE ROYAL COMMISSION ON TRANSPORTATION, 1951. OP. CIT. p.101.  
The Gordon Royal Commission also recognized that the obligation of the one and one-third rule limited the railways' ability to compete. (ROYAL COMMISSION ON CANADA'S ECONOMIC PROSPECTS, FINAL REPORT. p.272).



inces. This has caused the railways to publish competitive rates on certain commodities where only a short time ago none at all were in effect on these movements (e.g. canned goods). The one and one-third rule was put into effect at a time when it was still possible to regard Alberta as a non-competitive area in so far as long-haul traffic was concerned. I have already said that increased highway facilities will tend to increase that competition.”<sup>12</sup>

That trucking competition is now a potent force in Alberta is to be seen from Table XXVII. Table XXVII indicates that Alberta is the

third most important trucking province in Canada and, leaving aside Ontario and Quebec, which provide almost three-fifths of the net ton-miles of Canada, Alberta has a dominant position. Alberta has 42 per cent of the remaining ton-miles run by eight provinces, and of the four western provinces fully 48 per cent.

Alberta is shown to have almost twice as much total trucking mileage as British Columbia and again this constitutes almost 50 per cent of the mileage of the four western provinces.

These figures are confirmed by Table XXVIII which shows the for-hire trucking population by province for 1957. Alberta has almost twice as

TABLE XXVIII  
AVERAGE FOR-HIRE TRUCK POPULATION IN CANADA, BY PROVINCE, 1957 (over 7½ tons)

| WEIGHT GROUP<br>GROSS VEHICLE WEIGHT<br>TONS | Atlantic<br>Provinces | Que.  | Ont.   | Man.  | Sask. | Alta. | B.C.  | Canada<br>Gross |
|--|-----------------------|-------|--------|-------|-------|-------|-------|-----------------|
| 7½ - 10.....                                 | 1,227                 | 1,728 | 2,682  | 185   | 135   | 1,938 | 664   | 8,559           |
| 10 - 15.....                                 | 1,225                 | 2,274 | 4,653  | 178   | 328   | 3,918 | 1,464 | 14,040          |
| 15 - 25.....                                 | 196                   | 3,851 | 1,795  | 412   | 903   | 1,173 | 916   | 9,246           |
| Over 25.....                                 | 67                    | —     | 3,428  | 305   | 135   | 666   | 727   | 5,328           |
| TOTAL.....                                   | 2,715                 | 7,853 | 12,558 | 1,080 | 1,501 | 7,695 | 3,771 | 37,173          |

Source: MOTOR TRANSPORT TRAFFIC STATISTICS, National Estimates, 1957.

many trucks as British Columbia and three times as many as Manitoba and Saskatchewan combined.

Table XXIX reveals the pattern of tonnage movements in interprovincial for-hire trucking operations for 1957. Alberta would seem to be well entrenched in interprovincial trucking. The greatest amount of tonnage moved between Alberta and British Columbia, 166,000 tons, in

the sample moving from Alberta to British Columbia, and 56,000 tons in the reverse direction, and much of this traffic is known to be moving from and to coastal positions.

Alberta is well serviced by trucks as compared with other western provinces. Analysis of Table XXIX shows that Alberta has 40,000 tons moving to Ontario and Quebec as against only 8,000

TABLE XXIX  
FOR-HIRE INTERPROVINCIAL TRAFFIC BY CANADIAN REGISTERED TRUCKS, 1957,  
ORIGIN AND DESTINATION

| TO                      | ('000 Tons)        |      |      |      |       |       |      |       |
|-------------------------|--------------------|------|------|------|-------|-------|------|-------|
|                         | Atlantic Provinces | Que. | Ont. | Man. | Sask. | Alta. | B.C. | TOTAL |
| FROM                    |                    |      |      |      |       |       |      |       |
| Atlantic Provinces..... | —                  | 30   | 2    | —    | —     | —     | —    | 32    |
| Manitoba.....           | —                  | 2    | 50   | —    | 70    | 17    | 1    | 140   |
| Quebec.....             | 32                 | —    | 877  | 5    | —     | 13    | —    | 927   |
| Saskatchewan.....       | —                  | —    | 1    | 47   | —     | 13    | —    | 61    |
| Ontario.....            | 3                  | 888  | —    | 63   | 5     | 37    | 9    | 1,005 |
| Alberta.....            | —                  | 9    | 31   | 19   | 38    | —     | 166  | 263   |
| British Columbia.....   | —                  | 1    | 7    | —    | —     | 56    | —    | 64    |
| TOTAL.....              | 35                 | 930  | 968  | 134  | 113   | 136   | 176  | 2,492 |

Source: TRAFFIC STATISTICS, NATIONAL ESTIMATES, 1957, D.B.S. Ottawa.

<sup>12</sup>REPORT OF THE ROYAL COMMISSION ON AGREED CHARGES, OP. CIT. p.44.





tons from British Columbia to these provinces. From Ontario and Quebec Alberta received 50,000 tons in the sample compared with only 10,000 tons for British Columbia.

Alberta would seem, therefore, to be in a favourable position in the long haul trucking field, and

Alberta trucking, if it has not completely broken the rail monopoly, has at least made impressive inroads.

Further analysis of Table XXIX produces the following figures:

TABLE XXX  
FOR-HIRE INTERPROVINCIAL TRAFFIC BY CANADIAN REGISTERED TRUCKS,  
FOUR WESTERN PROVINCES, 1957

| PROVINCE              | ('000 Tons)                                  |                                    |                                    |
|-----------------------|--|------------------------------------|------------------------------------|
|                       | Total Tonnage<br>originating and terminating | Tonnage originating<br>in province | Tonnage<br>terminating in province |
| Alberta.....          | 399  | 263                                | 136                                |
| Manitoba.....         | 275  | 140                                | 134                                |
| British Columbia..... | 240  | 64                                 | 176                                |
| Saskatchewan.....     | 174  | 61                                 | 113                                |

Source: Table XXIX.

It will be seen that Alberta was the foremost province in incoming, outgoing, and, of course, total interprovincial traffic. The total tonnage ranged from 399,000 tons for Alberta to 174,000 tons for Saskatchewan. Incoming tonnage was

almost twice as high for Alberta as it was for the next highest province, British Columbia.

Alberta enjoys considerable benefits, not only from the availability of trucking but also in the rates paid. Table XXXI shows this to be so.

TABLE XXXI  
AVERAGE REVENUE PER TON-MILE  
FOR-HIRE TRUCKS, BY PROVINCES, 1957

| PROVINCE                  | Intra-provincial<br>Operations | Intra-Inter & Intl.<br>Operations combined |
|---------------------------|--------------------------------|--|
|                           | cents                          | cents                                      |
| Newfoundland.....         | 17.6                           | 17.6                                       |
| British Columbia.....     | 10.8                           | 9.1  |
| New Brunswick.....        | 10.6                           | 10.1                                       |
| Quebec.....               | 9.5                            | 8.0  |
| Nova Scotia.....          | 9.0                            | 8.1  |
| Manitoba.....             | 8.2                            | 6.6  |
| Prince Edward Island..... | 7.7                            | 7.4  |
| Ontario.....              | 7.3                            | 6.8  |
| Alberta.....              | 7.2                            | 6.3  |
| Saskatchewan.....         | 7.0                            | 7.1  |
| Average.....              | 8.2                            | 7.3  |

Source: Railway Association of Canada, Vol. III, No. 1, Table II. "TRANSPORTATION TOPICS."

It can be seen that the lowest revenue per ton-mile was earned by Alberta trucks, thus indicating that rates were correspondingly low. On the other hand, British Columbia was under a considerable handicap in having the highest trucking rates in Canada outside the Maritimes, being fully 2.8 cents higher than those enjoyed by Alberta.

These tables are sufficient to indicate that Alberta has a strong trucking industry which is able to give effective competition to railways.

The case of the shipper receiver at intermediate points has been considerably weakened by the

growth of trucking and opportunities for railway discrimination will become fewer and fewer in the years to come. Yet these inland points expect the railways to give up their opportunities to effectively compete at the competitive points and the long haul shipper is deprived of low rates.

Even where there is total absence of trucking competition at intermediate points the immense growth of competitive secondary and primary industry in the prairie provinces, particularly in Alberta, has put competitive pressures indirectly on railway rates. In self-interest, railways (and



truckers) will keep rates down in order that eastern and prairie producers may compete.

In sum, Alberta does not entirely depend on railways any more as goods are increasingly being trucked into and out of the province, even over the very long hauls. Moreover, the province does not depend entirely on the east for supplies any more as industry has come to Alberta.

***Localities can complain if Rates are unjust and unreasonable***

By the one and one-third rule the railways, in meeting long haul competition, must reduce intermediate rates also to not more than one and one-third the transcontinental rate, even though they were previously considered just and reasonable. Against this rule there is no relief, and valuable revenues at the long-haul points may well be lost as a result.

There is adequate protection in the Railway Act against unreasonableness on the part of the companies, protection which is reinforced by pervasive competition, and it is submitted that the one and one-third rule is no longer required in the legislation. In the event of repeal, the Board of Transport Commissioners possesses adequate powers to deal with any discrimination which may arise. It is difficult to see why the transcontinental rates should have been singled out from general long hauls where relief is available and subjected to rigorous legislation which hampers the ability of railways to compete and deprives the coastal regions of potentially low rates.

The intermediate points on the transcontinental route are not shackled to rail service any more and competition from private and public motor carriers, together with normal rate regulation and prohibitions on unjust discrimination, would be sufficient to protect these points in any event.

The much-quoted General Freight Rates Investigation has something to say in this regard:

"The transcontinental rate scale has a very definite purpose, and one that should be commended rather than criticized. While it gives rise to some anomalies, nevertheless such are not by any means to prevail against the benefits of the system as a whole. It is true that some localities east of Vancouver are compelled to pay on certain commodities transportation rates greater than those charged for the long haul; but the real issue in that regard is whether the

charge for the short haul is reasonable and fair. The two sets of rates are based on different principles, as is well recognized, and are not to be judged by the same standard."<sup>13</sup>

If the rates to intermediate points are just and reasonable in themselves, then the one and one-third rule is anomalous in that potentially lower rates to competitive points are withheld. Hence, in trying to protect intermediate shippers by the one and one-third rule the result is that the only person to get the protection is the competitor of the railways at the terminal points who is thus freed from rail competition.

***Extension of the Rule to Agreed Charges***

British Columbia does not favour any extension of the one and one-third rule to agreed charge rates for several reasons, all adequately set forth by the Royal Commission on Agreed Charges in its Report of 1955.

"The contention of the Province of Alberta was supported by the City of Edmonton, the City of Calgary, the Edmonton Chamber of Commerce and the Saskatchewan Federated Co-operatives Ltd.

"The basic contention of these parties would appear to be that the Statutes should be amended so as to give to the intermediate territory, under any agreed charge rates established to meet water competition at the Pacific Coast, exactly the same rate treatment it is entitled to under Section 337 of the Railway Act with respect to transcontinental competitive rates.

"The case thus stated does not take account of the essential difference between what are two distinct types of rates—competitive rates on the one hand and agreed charges on the other. It must be borne in mind that a competitive rate is open to all shippers who may wish to avail themselves of it, without compulsion, and in its use shippers are only required to abide by the governing tariff provisions. Agreed charges, on the other hand, are different in that each one constitutes a contract between the railways and a shipper or shippers, and those who ship on the agreed charges are signatories to a contract either directly by the agreed charge or indirectly by a fixed charge. Not only must the agreed charge shipper observe such conditions as minimum carload weights, but, most important, he must undertake to ship a stated percentage of

<sup>13</sup>33 CRC 127.





his traffic by the railway for the duration of the contract. It is therefore apparent that the application of the one and one-third rule to agreed charges in exactly the same manner as it now applies to transcontinental competitive rates poses fundamental difficulties:

1. Whereas the agreed charge is restricted to certain named shippers, no such restriction applies in the case of transcontinental competitive rates.
2. An attempt to extend the one and one-third rule to agreed charges would raise complex problems respecting the designation of the 'shipper' which do not arise in the case of applying the rule to transcontinental competitive rates.
3. The extension of agreed charge rates by means of the one and one-third rule to an unknown number of parties who have not undertaken any contractual responsibilities would violate the fundamental feature of agreed charges."<sup>14</sup>

Other views before the Commission were reported:

- "1. That the long-and-short-haul principle could not logically be extended to apply where a competitive rate moves traffic to a more distant point and a non-competitive rate moves traffic to an intermediate point.
- "2. That the application of the one and one-third rule to agreed charges would adversely affect British Columbia without any compensating advantage to Alberta.
- "3. That agreed charges must be the result of free agreement and the imposition of arbitrary rules would nullify their advantages against carriers not subject to similar regulation.
- "4. That it would be unfair to the railways to be forced to lower their intermediate rates on a particular commodity covered by an agreed charge.
- "5. That the transportation factors at an intermediate point may be entirely different from those at a more distant point.
- "6. That conditions may warrant an agreed charge to intermediate points at a rate less than one and one-third the agreed charge to the Pacific Coast."<sup>15</sup>

In addition the Counsel for Saskatchewan stated:

"The Government of Saskatchewan is not persuaded that the rigid application of the one and one-third rule to the agreed charge, with a view to establishing a ceiling for rates at intermediate points, would be either fair or effective. It should be kept in mind that, while the agreed charge is a competitive rate in the sense that it is used to meet competition, yet it differs markedly in one respect from the ordinary competitive rate. In the case of the ordinary competitive rate, the shipper may avail himself of the rate or not as he likes and to the extent he wishes. In the case of the agreed charge, the shipper agrees, in return for a favourable rate, to use the railway as the carrier for a stated percentage of the total volume of his shipments of the designated commodity.

"In our opinion it would be manifestly unfair to the railway, which has agreed to the low rate in order to secure the volume of traffic, to be forced to lower its general intermediate rates by the application of the one and one-third rule to the special rate on a particular commodity covered by an agreed charge. It is our opinion, therefore, that the general shipper at the intermediate point should not be able to invoke the one and one-third rule automatically in the case of a commodity covered by an agreed charge."<sup>16</sup>

The Commission's Report went on to say:

"Therefore, it would seem inescapable that the Alberta proposal would resolve itself into a situation as follows: where agreed charges have been negotiated on transcontinental traffic the shippers (consignees) in Alberta could apply for and be entitled to receive agreed charges to intermediate points under the same essential conditions but at rates no more than one and one-third times the rates on the agreed charge applying on transcontinental traffic. This would be the case whether or not competition existed at the intermediate point (and the meeting of competition has always been a compelling factor in the making of agreed charges) and whether or not the applicant was a party to the transcontinental agreed charge.

"Under conditions that obtain only a few years ago it might have been possible to justify this extension of the concept of an agreed charge. But, conditions as they exist today cannot be ignored nor the changes that are still taking place . . .

<sup>14</sup>REPORT OF THE ROYAL COMMISSION ON AGREED CHARGES, Ottawa, 1955. p.39.

<sup>15</sup>IBID. p.42.

<sup>16</sup>IBID. pp.42,43.



"Having regard to the foregoing considerations, I am of the opinion that the extension of the one and one-third rule to agreed charges cannot be recommended: firstly, because of the difficulties surrounding the practical application of such a measure; secondly, because if it were found possible to apply it to certain cases, it would on the whole be unproductive of substantial benefit to intermediate territories; thirdly, because having regard to the present unfavourable financial condition of the railways and their urgent need for relief, it would be unwise, while granting them the measure of freedom in the making of agreed charges which I recommend, to create at the same time new complications which might hamper them considerably in the exercise of the agreed charge practice; and fourthly, because the position of intermediate territory is being altered beneficially and in a substantial manner as a result of new competitive conditions of transport and of the implementation of the recommendations of the Royal Commission on Transportation regarding the adjustment of freight rates in the western provinces."<sup>17</sup>

### Summary and Conclusions

To summarize, the Province of British Columbia urges the repeal of the one and one-third rule because:

- (a) Low rates to terminal points have been withheld and actually raised because of railway fear of dissipating revenues at intermediate points by reason of the rule;

- (b) The rule singles out transcontinental traffic from all other long haul traffic to which is made available the relief provisions of the long-and-short-haul rule and hence deprives British Columbia of natural geographical advantages;
- (c) Rail monopoly at the major intermediate points no longer exists, and even if there are some areas of monopoly left then other provisions of the Railway Act give adequate protection without having to deprive the coastal points of advantageous rates;
- (d) The grounds for complaint by Alberta points, which led to the enactment of the rule in 1951, were narrow, and are even narrower today in the light of new competitive conditions and highway transport facilities to intermediate points;
- (e) Any attempt to extend the rule to agreed charges would cause concern to British Columbia and would not be sound for the reasons given by the Royal Commission on Agreed Charges;
- (f) Repeal of the rule would not necessarily harm intermediate shippers or receivers by reason of the railways being then enabled to seek out competitive traffic at terminal points. Retention of the rule, on the other hand, harms shippers and receivers in British Columbia.

In conclusion it is submitted that Section 337 (R.S. 1952) of the Railway Act be repealed in entirety and thereafter railway rates to intermediate territory follow the "cost of service" principle expounded elsewhere in this brief.

<sup>16</sup>Other strong views regarding the rule and its application to agreed charges are to be found in the TRANSCRIPT OF EVIDENCE: STATEMENT BY THE HON. DOUGLAS L. CAMPBELL, Premier of Manitoba, to the ROYAL COMMISSION ON AGREED CHARGES, Winnipeg, Oct. 4, 1954. Transcript of Evidence, pp.59-61:

"Turning now to the question of the one and one-third rule and its extension to agreed charges the Government of Manitoba has, with the greatest respect to the recommendations found at page 101 of the 1951 Report of the Turgeon Royal Commission on Transportation, been and still is opposed to the one and one-third rule in principle, and we are therefore definitely opposed to the extension of that rule to agreed charges.

"...in our view the long and short haul principle cannot logically be extended to apply where a competitive rate moves traffic to a more distant point and a non-competitive rate moves traffic to an intermediate point. Under such circumstances it seems to us that there is no comparison of like with like.

"We in Manitoba have no reason or desire to quarrel with our western brothers in Alberta and if the freight rate structure of Canada is unfair to any area, we agree that it should be corrected. We appreciate that it was no doubt this view which motivated the recommendation for the adoption of the so-called one and one-third rule. Without being in a position to adduce evidence as to the manner in which the application of the so-called one and one-third rule has worked out in practice, we would venture to predict that the evidence, when received by your Commission, will reveal that not only has Alberta derived little or no practical benefit from Section 337, but that as a result of its enactment British Columbia, Manitoba and the railways have all been adversely affected.

"It is therefore the view of my government that not only should the so-called one and one-third rule not be extended to apply to agreed charges, but that Section 337 has no proper or justifiable place in The Railway Act of Canada and should be repealed."

STATEMENT BY HIS WORSHIP MAY GARNET COULTER, Q.C., Mayor of the City of Winnipeg, to the ROYAL COMMISSION ON AGREED CHARGES, Winnipeg, Oct. 4, 1954. Transcript of Evidence, p.64:

"With respect to the so-called one and one-third rule, we confirm our opposition to this rule as expressed on behalf of the City of Winnipeg as well as the Province of Manitoba and the Winnipeg Chamber of Commerce, before the Parliamentary Committees in November 1951. Since it is still our belief that the so-called one and one-third rule has no proper place in the Canadian railway freight rate structure, the City of Winnipeg is opposed to the extension of its application to the agreed charge provisions found in Part IV of the Transport Act."

STATEMENT BY MR. J. D. WILTON on behalf of Manitoba Federation of Agriculture and Co-operation. Transcript p.99:

"The position of the Federation with respect to the one and one-third rule is simple to state. It considers the one and one-third rule to be unsound in principle and undesirable from the point of view of the farming community of this province. Since the Federation is opposed in principle to this rule it follows that it does not support the contention that legislation should be introduced to extend the application of the one and one-third rule to the making of agreed charges."

<sup>17</sup>IBID. pp.44,45.









## APPENDIX A—Continued

| COMMODITY   | From                           | Prior to Increase |                      |                  | Increased to  |                      |                | 9% Inc.       | 7% Inc. | Subsequent Changes |                                |                |                  |
|---|--------------------------------|-------------------|----------------------|------------------|---------------|----------------------|----------------|---------------|---------|--------------------|--------------------------------|----------------|------------------|
|   |                                | Rate              | Minimum Weight (Lbs) | Tariff Reference | Rate          | Minimum Weight (Lbs) | Effective Date |               |         | Rate               | Minimum Weight (Lbs)           | Effective Date | Tariff Reference |
|   | Bathurst, N.B.....             | 176               | 60,000               | 1K-380           | 202           | 60,000               | Oct. 1/52      | 220           | 235     | 222                | 60,000                         | Jul. 27/53     | 1L-280C          |
|   | Dalhousie, N.B.....            | —                 | —                    | —                | —             | —                    | —              | —             | —       | —                  | —                              | —              | —                |
|   | Edmundston, N.B.....           | —                 | —                    | —                | —             | —                    | —              | —             | —       | —                  | —                              | —              | —                |
|   | Jonquiere, Que.....            | 180               | 60,000               | 1K-380           | 203           | 60,000               | Oct. 1/52      | 221           | 236     | 227                | 60,000                         | Jul. 27/53     | 1L-280C          |
| Bulbs and Tubers  | Port Alfred, Que.....          | —                 | —                    | —                | —             | —                    | —              | —             | —       | —                  | —                              | —              | —                |
|   | Markham, Ont.....              | —                 | —                    | —                | —             | —                    | —              | —             | —       | —                  | —                              | —              | —                |
|   | Montreal, Que.....             | 507               | 20,000               | 1K-420           | 604           | 20,000               | Oct. 1/52      | 658           | 704     | —                  | —                              | —              | —                |
|   | Toronto, Ont.....              | —                 | —                    | —                | —             | —                    | —              | —             | —       | —                  | —                              | —              | —                |
| Calcium Carbide   | Halifax, N.S.....              | 519               | 20,000               | 1K-420           | 619           | 20,000               | Oct. 1/52      | 675           | 722     | —                  | —                              | —              | —                |
|   | Saint John, N.B.....           | —                 | —                    | —                | —             | —                    | —              | —             | —       | —                  | —                              | —              | —                |
|   | Welland, Ont.....              | 212               | 60,000               | 1K-440           | 254           | 60,000               | Apr. 21/52     | 277           | 296     | —                  | —                              | —              | —                |
|   | Shawinigan Falls, Que.         | 222               | 60,000               | 1K-440           | 263           | 60,000               | Apr. 21/52     | 287           | 307     | —                  | —                              | —              | —                |
| Calcium Chloride Soda Ash Silicate of Soda Soda Solution, Caustic | Groups A & B .....             | 129               | 80,000               | 1K-2820          | 229           | 80,000               | Oct. 1/52      | 250           | 268     | 229                | 80,000                         | May 31/54      | 1L-2460B         |
|   | Shawinigan Falls, Que.         | 138               | 80,000               | 1K-2820          | 238           | 80,000               | Oct. 1/52      | 259           | 277     | 239                | See Note.                      | —              | —                |
|   | Sarnia, Ont .....              | 129               | 80,000               | 1K-2820          | 229           | 80,000               | Oct. 1/52      | 250           | 263     | 229                | 80,000                         | May 31/54      | 1L-2460B         |
|   | Port Colborne, Ont.....        | Per Gross Ton     | —                    | —                | Per Gross Ton | —                    | —              | Per Gross Ton | —       | —                  | —                              | —              | —                |
| Calcium, Silicon, etc.  | Welland, Ont.....              | 2843              | 80,000               | 1K-460           | 3371          | 80,000               | Oct. 1/52      | 3674          | 3931    | —                  | —                              | —              | —                |
|   | Sault Ste. Marie, Ont. )       | 2843              | 80,000               | 1K-460           | 3371          | 80,000               | Oct. 1/52      | 3674          | 3931    | —                  | —                              | —              | —                |
| Canned Fish and Canned Poultry                                    | Beauharnois, Que.....          | 3030              | 80,000               | 1K-460           | 3558          | 80,000               | Oct. 1/52      | 3878          | 4149    | —                  | —                              | —              | —                |
|   | Group X .....                  | 261               | 40,000               | 1K-480           | Cancelled     | 70,000               | Apr. 21/52     | —             | —       | —                  | —                              | —              | —                |
| Canned Goods or Preserves   | Groups A & B .....             | 179               | 70,000               | 1K-480           | 206           | 70,000               | Apr. 21/52     | 225           | 241     | —                  | —                              | —              | —                |
|   | Groups A & B .....             | 187               | 50,000               | 1K-500           | Cancelled     | 70,000               | Apr. 21/52     | —             | —       | —                  | —                              | —              | —                |
|   | Groups C to F .....            | 164               | 70,000               | 1K-500           | 190           | 70,000               | Apr. 21/52     | 207           | 221     | 221                | 60,000                         | May 29/53      | 1L-400C          |
|   | Groups C to F .....            | 197               | 50,000               | 1K-500           | 198           | 70,000               | Apr. 21/52     | 217           | 232     | 232                | 60,000                         | May 29/53      | 1L-400C          |
|   | Groups C to F .....            | 173               | 70,000               | 1K-500           | 199           | 70,000               | Apr. 21/52     | 217           | 232     | 232                | 60,000                         | May 29/53      | 1L-400C          |
|   | Group Y .....                  | 197               | 50,000               | 1K-500           | Cancelled     | 70,000               | Apr. 21/52     | —             | —       | —                  | —                              | —              | —                |
|   | Group Y .....                  | 173               | 70,000               | 1K-500           | 199           | 70,000               | Apr. 21/52     | 217           | 232     | 232                | 60,000                         | May 29/53      | 1L-400C          |
|   | Group Z .....                  | 200               | 50,000               | 1K-500           | Cancelled     | 70,000               | Apr. 21/52     | —             | —       | —                  | —                              | —              | —                |
|   | Group Z .....                  | 178               | 70,000               | 1K-500           | 205           | 70,000               | Apr. 21/52     | 223           | 239     | 239                | 60,000                         | May 29/53      | 1L-400C          |
|   | St. John's, Nfld.....          | 245               | 50,000               | 1K-500           | Cancelled     | 70,000               | Apr. 21/52     | —             | —       | —                  | —                              | —              | —                |
|   | Item cancelled March 10, 1954. | 222               | 70,000               | 1K-500           | 252           | 70,000               | Apr. 21/52     | -75           | 294     | 295                | 80,000                         | May 29/53      | 1L-400C          |
|   | Item cancelled March 10, 1954. |                   |                      |                  |               |                      |                |               |         |                    | Item cancelled March 10, 1954. |                |                  |
|   | Item 400-D, C.F.A. Trade 1L.   |                   |                      |                  |               |                      |                |               |         |                    |                                |                |                  |

Note: Soda Ash transferred to Item 2470, Supp. 11, C.F.A. 1L, Effective May 15, 1953.

\*Applicable only on Peanut Butter in mixed cartons with other commodities named in item.





| COMMODITY                                       | From                   | Prior to Increase |                      |                  | Increased to |                      |                | 9% Inc. | 7% Inc. | Subsequent Changes |                      |                |
|---|------------------------|-------------------|----------------------|------------------|--------------|----------------------|----------------|---------|---------|--------------------|----------------------|----------------|
|   |                        | Rate              | Minimum Weight (Lbs) | Tariff Reference | Rate         | Minimum Weight (Lbs) | Effective Date |         |         | Rate               | Minimum Weight (Lbs) | Effective Date |
| Carpets, etc.                                   | Groups A & B.....      | 503               | 20,000               | 1K-580           | 604          | 20,000               | Oct. 1/52      | 658     | 704     | —                  | —                    | July 27/53     |
|   |                        |                   |                      |                  |              |                      |                |         |         |                    |                      | 1L-480A        |
| Cereal, Cooked                                  | Groups A & B.....      | 205               | 24,000               | 1K-660           | 246          | 24,000               | Apr. 21/52     | —       | —       | —                  | —                    | —              |
|   |                        |                   |                      |                  | 246          | 24,000               | Oct. 1/52      | 268     | 287     | —                  | —                    | —              |
| Chemicals, Drugs, Etc.                          | Groups A & B.....      | 337               | 30,000               | 1K-680           | 469          | 30,000               | Oct. 1/52      | 511     | 547     | 474                | 30,000               | Dec. 1/53      |
|   |                        |                   |                      |                  |              |                      |                |         |         | 408                | 40,000               | Dec. 1/53      |
|   | Groups C to F & Y..... | 349               | 30,000               | 1K-680           | 483          | 30,000               | Oct. 1/52      | 526     | 563     | 490                | 30,000               | Dec. 1/53      |
|   |                        |                   |                      |                  |              |                      |                |         |         | 424                | 40,000               | Dec. 1/53      |
|   | Group Z.....           | 355               | 30,000               | 1K-680           | 483          | 30,000               | Oct. 1/52      | 526     | 563     | 490                | 30,000               | Dec. 1/53      |
|   |                        |                   |                      |                  |              |                      |                |         |         | 424                | 40,000               | Dec. 1/53      |
| Chloride of Lime, Washing Compounds, Soap, Etc. | Groups A & B.....      | 193               | 60,000               | 1K-700           | 242          | 60,000               | Oct. 1/52      | 264     | 282     | —                  | —                    | —              |
|   | Group Z.....           | 205               | 60,000               | 1K-700           | 255          | 60,000               | Oct. 1/52      | 278     | 297     | —                  | —                    | —              |
| Glue, in Mixed Carloads                         | Groups A & B.....      | 337               | 60,000               | 1K-700           | 469          | 60,000               | Oct. 1/52      | 511     | 547     | —                  | —                    | —              |
|   | Group Z.....           | 355               | 60,000               | 1K-700           | 483          | 60,000               | Oct. 1/52      | 526     | 563     | —                  | —                    | —              |
| Confectionery                                   | Groups A & B.....      | 360               | 30,000               | 1K-760           | 414          | 30,000               | Oct. 1/52      | 451     | —       | —                  | —                    | —              |
|   | Longueuil, Que.....    | —                 | —                    | —                | —            | —                    | —              | 1381    | 408     | —                  | —                    | May 15/53      |
|   | Group Z.....           | 374               | 30,000               | 1K-760           | 429          | 30,000               | Oct. 1/52      | 468     | —       | —                  | —                    | —              |
|   |                        |                   |                      |                  |              |                      |                | 1396    | 424     | —                  | —                    | May 15/53      |
| Cork Shapes, Sheets or Slabs                    | Groups A & B.....      | 338               | 24,000               | 1K-940           | 406          | 24,000               | Apr. 21/52     | 443     | 474     | —                  | —                    | —              |
| Compounds, Anti-freezing Ethylene Glycol        | Groups A & B.....      | —                 | —                    | —                | 260          | 40,000               | Oct. 1/52      | 283     | 303     | —                  | —                    | —              |
| Electrical Appliances                           | Groups A & B.....      | —                 | —                    | —                | 321          | 40,000               | —              | —       | —       | —                  | —                    | —              |
|   | Groups A & B.....      | —                 | —                    | —                | 345          | 40,000               | Dec. 3/52      | 376     | 402     | —                  | —                    | —              |
|   |                        |                   |                      |                  |              |                      |                |         |         | 384                | 40,000               | Jul. 26/54     |
| Conduits, Fibre                                 | Cornwall, Ont.....     | 232               | 50,000               | 1K-840           | 334          | 50,000               | Oct. 1/52      | 364     | 389     | 336                | 50,000               | Mar. 23/53     |
|   | Toronto, Ont.....      | 298               | 30,000               | 1K-840           | —            | Cancelled            | Oct. 1/52      | —       | —       | —                  | —                    | —              |
| Conduits, Flexible                              | Groups A & B.....      | 245               | 30,000               | 1K-860           | 334          | 30,000               | Oct. 1/52      | 364     | 389     | —                  | —                    | —              |
| Copper, Sulphate of                             | Montreal, Que.....     | 123               | 80,000               | 1K-880           | —            | Cancelled            | Oct. 1/52      | —       | —       | —                  | —                    | —              |
|   |                        | 140               | 60,000               | 1K-880           | 140          | 60,000               | Oct. 1/52      | 153     | 164     | —                  | —                    | —              |
| Corn Oil, Corn Sugar, Etc.                      | Cardinal, Ont.....     | 179               | 50,000               | 1K-960           | —            | Cancelled            | Oct. 1/52      | —       | —       | —                  | —                    | —              |
|   | Fort Credit, Ont.....  | —                 | —                    | —                | —            | —                    | —              | —       | —       | —                  | —                    | —              |
|   | Group Z.....           | 193               | 50,000               | 1K-960           | —            | Cancelled            | Oct. 1/52      | —       | —       | —                  | —                    | —              |

\*Reduced rate at increased minimum weight of 36,000 lbs., effective Jan. 23, 1953 in Item 640-B, C.F.A. Tariff 1-L, C.T.C. No. 1482.



## APPENDIX A—Continued

| COMMODITY  | From                     | Prior to Increase |                      |                  | Increased to |                      |                |                  | 9% Inc.<br>Jan. 1,<br>1953 | 7% Inc.<br>Mar. 16,<br>1953 | Subsequent Changes |                      |  |                  |
|--|--------------------------|-------------------|----------------------|------------------|--------------|----------------------|----------------|------------------|----------------------------|-----------------------------|--------------------|----------------------|--|------------------|
|  |                          | Rate              | Minimum Weight (Lbs) | Tariff Reference | Rate         | Minimum Weight (Lbs) | Effective Date | Tariff Reference |                            |                             | Rate               | Minimum Weight (Lbs) | Effective Date   | Tariff Reference |
| Corn Oil, Corn Sugar, Etc.                         | Groups A & B. ....       | 195               | 50,000               | 1K:980           | 195          | 50,000               | Oct. 1/52      | 1L:880           | 213                        | 228                         | 228                | 50,000               | Aug. 17/53—Inc. in Min. Weight. Jul. 20/50—Reduction in Dextrine Rate. 1L:880-B. | —                |
|  | Groups A & B. ....       | 245               | 40,000               | 1K:980           | 245          | 40,000               | Oct. 1/52      | 1L:880           | 267                        | 286                         | 286                | 50,000               |  |                  |
|  | Group Z. ....            | 208               | 50,000               | 1K:980           | 208          | 50,000               | Oct. 1/52      | 1L:880           | 227                        | 243                         | 243                | 50,000               |  |                  |
| Corn, Pop, not Popped.                             | Appin, Ont. ....         | —                 | —                    | —                | —            | —                    | —              | —                | —                          | —                           | —                  | Cancelled            | Aug. 30/54   | 1L:900A          |
|  | Konoka, Ont. ....        | 278               | 40,000               | 1K:1000          | 278          | 40,000               | Oct. 1/52      | 1L:900           | 303                        | 324                         | 324                | —                    | —  | —                |
|  | Strathroy, Ont. ....     | 205               | 60,000               | 1K:1000          | 246          | 60,000               | Apr. 21/52     | 1K:1000A         | 268                        | 287                         | 287                | —                    | —  | —                |
| Cushions, Carpet                                   | Groups A & B. ....       | 290               | 30,000               | 1K:1020          | 360          | 30,000               | Oct. 1/52      | 1L:920           | 392                        | 419                         | 419                | —                    | —  | —                |
|  | Groups C to F & Y. ....  | 302               | 30,000               | 1K:1020          | 372          | 30,000               | Oct. 1/52      | 1L:920           | 405                        | 433                         | 433                | —                    | —  | —                |
|  | Niagara Falls, Ont. .... | 119               | 60,000               | 1K:1040          | 123          | 60,000               | Oct. 1/52      | 1L:940           | 134                        | 143                         | 143                | —                    | —  | —                |
| Disinfectants, Insecticides, Etc.                  | Groups A & B. ....       | 337               | 40,000               | 1K:1060          | 469          | 40,000               | Oct. 1/52      | 1L:960           | 511                        | 547                         | 547                | —                    | —  | —                |
|  | Groups A & B. ....       | 193               | 60,000               | 1K:1060          | 242          | 60,000               | Oct. 1/52      | 1L:960           | 264                        | 282                         | 282                | —                    | —  | —                |
|  | Groups A & B. ....       | 221               | 30,000               | 1K:1180          | 246          | 30,000               | Apr. 21/52     | 1K:1180A         | 268                        | 287                         | 287                | Cancelled            | July 20/53   | 1L:1080C         |
| Liquid Soap  | Groups A & B. ....       | 769               | 20,000               | 1K:1220          | 922          | 20,000               | Apr. 21/52     | 1K:1220A         | 1005                       | 1075                        | 1075               | —                    | —  | —                |
|  | Cookville, Ont. ....     | 205               | 70,000               | 1K:1260          | 246          | 70,000               | Apr. 21/52     | 1K:1260A         | 268                        | 287                         | 287                | Cancelled            | July 20/53   | 1L:1160A         |
|  | Groups A & B. ....       | —                 | —                    | —                | —            | —                    | —              | —                | —                          | —                           | —                  | Cancelled            | July 20/53   | 1L:1180A         |
| Flour (Grain or Malt) Blended with Soya Bean Flour | Groups A & B. ....       | 176               | 60,000               | 1K:1280          | 181          | 60,000               | Apr. 21/52     | 1K:1280A         | 197                        | 211                         | 211                | Cancelled            | July 20/53   | 1L:1180A         |
|  | Longueuil, Que. ....     | —                 | —                    | —                | —            | —                    | —              | —                | —                          | —                           | —                  | —                    | —  | —                |
|  | Groups A & B. ....       | 289               | Rule 7 C.F.C. 19     | 1K:1460          | —            | —                    | —              | —                | —                          | —                           | —                  | —                    | —  | —                |
| Glycerine  | Groups A & B. ....       | 289               | Rule 7 C.F.C. 19     | 1K:1460          | —            | —                    | —              | —                | —                          | —                           | —                  | —                    | —  | —                |
| Iron and Steel Articles                            | Groups A & B. ....       | 188               | 80,000               | 1K:1600          | 207          | 80,000               | Oct. 1/52      | 1L:1420          | 226                        | 242                         | 242                | —                    | —  | —                |
|  | Groups D & F. ....       | 197               | 80,000               | 1K:1600          | 216          | 80,000               | Oct. 1/52      | 1L:1420          | 235                        | 251                         | 251                | —                    | —  | —                |
|  | Groups A & B. ....       | 154               | 80,000               | 1K:1620          | 180          | 80,000               | Oct. 1/52      | 1L:1440          | 196                        | 210                         | 210                | —                    | —  | —                |
| Iron and Steel Articles                            | Amherst, N.S. ....       | 170               | 80,000               | 1K:1620          | 196          | 80,000               | Oct. 1/52      | 1L:1440          | 214                        | 229                         | 229                | —                    | —  | —                |
|  | Trenton, N.S. ....       | 170               | 80,000               | 1K:1620          | 196          | 80,000               | Oct. 1/52      | 1L:1440          | 214                        | 229                         | 229                | —                    | —  | —                |
|  | Sorel, Que. ....         | 163               | 80,000               | 1K:1620          | 189          | 80,000               | Oct. 1/52      | 1L:1440          | 206                        | 220                         | 220                | —                    | —  | —                |
| Iron and Steel Bars and Rods                       | Sydney, N.S. ....        | 173               | 80,000               | 1K:1620          | 198          | 80,000               | Oct. 1/52      | 1L:1440          | 216                        | 231                         | 231                | —                    | —  | —                |
|  | Groups A & B. ....       | 129               | 100,000              | 1K:1700          | 180          | 80,000               | Oct. 1/52      | 1L:1440          | 196                        | 210                         | 210                | —                    | —  | —                |
|  | Sydney, N.S. ....        | 146               | 100,00               | 1K:1700          | 198          | 80,000               | Oct. 1/52      | 1L:1440          | 216                        | 231                         | 231                | —                    | —  | —                |

Dextrine.





## APPENDIX A—Continued

| COMMODITY   | From   | Prior to Increase |                      | Increased to       |   |                      |   | Subsequent Changes |            |                                     |                      |                          |                      |
|---|--|-------------------|----------------------|--------------------|---|----------------------|---|--------------------|------------|-------------------------------------|----------------------|--------------------------|----------------------|
|   |  | Rate              | Minimum Weight (Lbs) | Tariff Reference   | Rate  | Minimum Weight (Lbs) | Effective Date                            | Tariff Reference   | 9 % Inc.   | 7 % Inc.                            | Minimum Weight (Lbs) | Effective Date           | Tariff Reference     |
| Iron and Steel Piling   | Groups A & B. . . . .<br>Trois Rivières, Que. . . . .                                | 188<br>—          | 80,000<br>—          | 1K:1840<br>—       | 207<br>—  | 60,000<br>—          | Oct. 1/52<br>—                            | 1L:1480<br>—       | 226<br>—   | 242<br>—                            | 60,000<br>—          | Sept. 1/53<br>—          | 1L:1480C<br>Added    |
| Iron and Steel Plate, Etc.  | Groups A & B. . . . .<br>Sydney, N.S. . . . .  | 129<br>146        | 80,000<br>80,000     | 1K:1900<br>1K:1900 | Cancelled<br>Cancelled                          |                      | October 1, 1952. Tariff 1L—See Item 1660. |                    |            |                                     |                      |                          |                      |
| Iron and Steel Plate, Etc.  | Groups A & B. . . . .<br>Sydney, N.S. . . . .  | 154<br>173        | 80,000<br>80,000     | 1K:1920<br>1K:1920 | 180<br>198                                      | 80,000<br>80,000     | Oct. 1/52<br>Oct. 1/52                    | 1L:1660<br>1L:1660 | 196<br>216 | 210<br>231                          |                      |                          |                      |
| Kalsomine, Etc.   | Montreal, Que. . . . .<br>Paris, Ont. . . . .  | 238<br>—          | 36,000<br>—          | 1K:1980<br>—       | Cancelled October 1, 1952—Tariff 1L.            |                      |   |                    |            |                                     |                      |                          |                      |
| Lumber, Mahogany  | Groups A & B. . . . .  | 205               | 60,000               | 1K:2060            | 246   | 60,000               | Apr. 21/52                                | 1K:2060A           | 268        | 287                                 |                      |                          |                      |
| Marble, Chips, Marble Waste, Stone and Quarry Run Spar, Crushed, Etc. | Madoc, Ont. . . . .  | —                 | —                    | —                  | 150   | 60,000               | Oct. 1/52                                 | 1L:1860            | 164        | Item Cancelled Jan. 21/53—1L:1860-A |                      |                          |                      |
| Milk, Condensed   | Groups A & B. . . . .  | 164               | 70,000               | 1K:2140            | 190   | 70,000               | June 10/52                                | 1K:2140A           | 207        | 221                                 |                      |                          |                      |
| Evaporated, Flaked, or Powdered.                                      | Groups A & B. . . . .  | 245               | 70,000               | 1K:2140            | 337   | 70,000               | June 10/52                                | 1K:2140A           | 367        | 393                                 |                      |                          |                      |
| Malted  | Groups A & B. . . . .  | 193               | 50,000               | 1K:2160            | Cancelled October 1/52—Tariff 1L: See Item 400. |                      |   |                    |            |                                     |                      |                          |                      |
| Molasses  | Group Z. . . . .   | 414               | 30,000               | 1K:2180            | 487   | 30,000               | Oct. 1/52                                 | 77:260             | 531        | 568                                 |                      |                          |                      |
| Nitro Cellulose, Wet.   | Beloeil, Que. . . . .  | 204               | 60,000               | 1K:2300            | 242   | 60,000               | Oct. 1/52                                 | 1L:1980            | 264        | 282                                 |                      |                          |                      |
| Oils, Fish and Sea Animal   | London, Ont. }<br>Toronto, Ont. }  | 250               | 40,000               | 1K:2260            | 278   | 40,000               | Apr. 21/52                                | 1K:2260A           | —          | —                                   |                      |                          |                      |
| Oil, Linseed  | Baden, Ont. }<br>Toronto, Ont. }   | —                 | —                    | —                  | 278   | 40,000               | Oct. 1/52                                 | 77:280             | 303        | 324                                 |                      |                          |                      |
| Oils, Soya Bean   | Groups A & B. . . . .  | 177               | 60,000               | 1K:2280            | 208   | 60,000               | Oct. 1/52                                 | 1L:1960            | 227        | 243                                 |                      |                          |                      |
| Ore, Bog Iron   | Marchand, Que }<br>St. Maurice, Que. }<br>Trois Rivières, Que. }<br>Red Mill, Que. } | 117               | 100,000              | 1K:2340            | Cancelled October 1/52. Tariff 1L.              |                      |   |                    |            |                                     |                      |                          |                      |
| Petroleum and Products  | Groups A & B. . . . .<br>Group V. . . . .  | 205<br>216        | 50,000<br>50,000     | 1K:2520<br>1K:2520 | 243<br>256                                      | 50,000<br>50,000     | Oct. 1/52<br>Oct. 1/52                    | 1L:2180<br>1L:2180 | 265<br>279 | 284<br>299                          | 50,000<br>50,000     | Apr. 17/53<br>Apr. 17/53 | 1L:2180A<br>1L:2180A |
| Pipe, Fittings and Parts  | Groups A & B. . . . .<br>Windsor Mills, Que. . . . .                                 | 154<br>167        | 70,000<br>70,000     | 1K:1860<br>1K:1860 | 205<br>218                                      | 70,000<br>70,000     | Oct. 1/52<br>Oct. 1/52                    | 1L:1640<br>1L:1640 | 223<br>238 | 239<br>255                          |                      |                          |                      |

\*Tubing in mixed carloads.



APPENDIX A—Continued

| COMMODITY   | From                                 | Prior to Increase |                      |                  | Increased to |                      |                | 9% Inc.<br>Jan. 1,<br>1953 | 7% Inc.<br>Mar. 16,<br>1953 | Subsequent Changes |                      |                                |
|---|--------------------------------------|-------------------|----------------------|------------------|--------------|----------------------|----------------|----------------------------|-----------------------------|--------------------|----------------------|--------------------------------|
|   |                                      | Rate              | Minimum Weight (Lbs) | Tariff Reference | Rate         | Minimum Weight (Lbs) | Effective Date |                            |                             | Rate               | Minimum Weight (Lbs) | Effective Date                 |
| Pipe and Pipe Couplings, Transit, Portland, Cement Pipe and Pipe Couplings with Asbestos Binder.  | Port Union, Ont. ....                | 232               | 50,000               | 1K:2540          | 278          | 50,000               | Apr. 21/52     | —                          | —                           | —                  | —                    | —                              |
|   | Port Union, Ont. ....                | —                 | —                    | —                | 278          | 50,000               | Oct. 1/52      | 303                        | 324                         | —                  | —                    | Cancelled July 20/53 1-L:300-B |
| Preparations, Baking, Dry, Containing over 40% of ingredients other than grain in straight cars or mixed cars with commodities containing not more than 40% of ingredients other than grain products. | Groups A & B }<br>Longueuil, Que. }  | 274               | 40,000               | 1K:1340          | 305          | 40,000               | Apr. 21/52     | —                          | —                           | —                  | —                    | —                              |
|   | Groups A & B }<br>Longueuil, Que. }  | —                 | —                    | —                | 305          | 40,000               | Oct. 1/52      | 332                        | 355                         | —                  | —                    | —                              |
| Preparations, Baking, Dry, Containing not more than 40% ingredients other than grain products.  | Groups A & B }<br>Longueuil, Que. }  | 205               | 36,000               | 1K:1300          | 246          | 36,000               | Apr. 21/52     | —                          | —                           | —                  | —                    | —                              |
|   | Groups A & B }<br>Longueuil, Que. }  | —                 | —                    | —                | 246          | 36,000               | Oct. 1/52      | 268                        | 287                         | —                  | —                    | —                              |
| Preparations, Baking, Dry, Containing more than 40% of ingredients other than grain products  | Groups A & B }<br>Longueuil, Que. }  | 338               | 24,000               | 1K:1320          | 406          | 24,000               | Apr. 21/52     | —                          | —                           | —                  | —                    | —                              |
|   | Groups A & B }<br>Longueuil, Que. }  | —                 | —                    | —                | 406          | 24,000               | Oct. 1/52      | 443                        | 474                         | —                  | —                    | —                              |
| Roofing and Roofing Materials   | Groups A, B, D and F. ....           | 163               | 60,000               | 1K:2700          | 186          | 60,000               | Oct. 1/52      | 203                        | 217                         | —                  | —                    | —                              |
| Rubber and Rubber Goods   | Groups A & B. ....                   | 394               | 30,000               | 1K:2720          | 394          | 30,000               | Oct. 1/52      | 429                        | 459                         | —                  | —                    | —                              |
|   | Groups A & B. ....                   | 360               | 36,000               | 1K:2720          | Cancelled    | Cancelled            | —              | —                          | —                           | —                  | —                    | —                              |
|   | Groups C to F & Y. ....              | 408               | 30,000               | 1K:2720          | 408          | 30,000               | Oct. 1/52      | 445                        | 476                         | —                  | —                    | —                              |
|   | Group Z. ....                        | 412               | 30,000               | 1K:2720          | 412          | 30,000               | Oct. 1/52      | 449                        | 480                         | —                  | —                    | —                              |
| Sheet, Iron Ware, Sheet Metal Ware and Tinware.   | Groups A & B. ....                   | 378               | 36,000               | 1K:2720          | Cancelled    | Cancelled            | —              | —                          | —                           | —                  | —                    | —                              |
|   | Groups A & B. ....                   | 338               | 24,000               | 1K:2780          | 406          | 24,000               | Apr. 21/52     | 443                        | 474                         | 401                | 24,000               | May 31/54 1L:2420-A            |
| Soda, Bicarbonate of  | Groups A & B. ....                   | 199               | 80,000               | 1K:2840          | 229          | 80,000               | Oct. 1/52      | 250                        | 268                         | —                  | —                    | —                              |
| Sodas, Viz., Acid Phosphoric, Calcium Phosphate Soda, Chlorate of, etc.   | Buckingham, Que. }<br>Ottawa, Ont. } | 152               | 60,000               | 1K:2800          | 181          | 60,000               | Oct. 1/52      | 197                        | 211                         | —                  | —                    | —                              |
| Susorite  | Corwall, Ont. ....                   | 163               | 60,000               | 1K:2900          | 203          | 60,000               | Oct. 1/52      | 227                        | 243                         | —                  | —                    | —                              |





## APPENDIX A—Continued

| COMMODITY  | From   | Prior to Increase                      |   |  | Increased to                 |                      |                        | 9% Inc.             | 7% Inc.  | Subsequent Changes           |        |                      |                                |
|--|--|--|---|--|------------------------------|----------------------|------------------------|---------------------|----------|------------------------------|--------|----------------------|--------------------------------|
|  |  | Rate                                   | Minimum Weight (Lbs)                      | Tariff Reference                           | Rate                         | Minimum Weight (Lbs) | Effective Date         |                     |          | Tariff Reference             | Rate   | Minimum Weight (Lbs) | Effective Date                 |
| Syrup, Malt  | Groups A & B.....  | 197                                    | 50,000                                    | 1K:2920                                    | 277                          | 40,000               | Oct. 1/52              | 1L:1300             | 302      | —                            | —      | —                    | —                              |
|  | Group C.....   | 205                                    | 50,000                                    | 1K:2920                                    | Cancelled                    |                      |                        | —                   | —        | —                            | —      | —                    | —                              |
| Tin Cans and Tin Can Stock   | Groups A & B.....  | 338                                    | 24,000                                    | 1K:520                                     | 406                          | 24,000               | Oct. 1/52              | 1L:420              | 443      | —                            | —      | —                    | —                              |
|  | Group Z.....   | 347                                    | 24,000                                    | 1K:520                                     | 415                          | 24,000               | Oct. 1/52              | 1L:420              | 452      | —                            | —      | —                    | —                              |
| Tires, Railway Locomotive  | Montreal, Que.....   | 297                                    | 36,000                                    | 1K:2980                                    | Cancelled                    |                      |                        | —                   | —        | —                            | —      | —                    | —                              |
|  |  | 245                                    | 60,000                                    | 1K:2980                                    | 245                          | 60,000               | Oct. 1/52              | 1L:2300             | 267      | —                            | —      | —                    | —                              |
| Tobacco, Cigarettes and Related Articles   | Groups A & B.....  | 401                                    | 36,000                                    | 1K:3000                                    | 433                          | 36,000               | Oct. 1/52              | 1L:2580             | 472      | 505                          | 36,000 | Nov. 2/53            | 1L:2580A                       |
| Washing Machines, etc.   | Groups A & B.....  | 338                                    | 24,000                                    | 1K:3120                                    | 406                          | 24,000               | Oct. 1/52              | 1L:2700             | 443      | Cancelled May 31/54—1L:2700A |        |                      | Cancelled Sept. 21/53 1L:2740A |
|  | Group Z.....   | 347                                    | 24,000                                    | 1K:3120                                    | 415                          | 24,000               | Oct 1/52               | 1L:2700             | 452      |                              |        |                      |                                |
| Wheelbarrows and Carts   | Groups A & B.....  | 338                                    | 24,000                                    | 1K:3160                                    | 406                          | 24,000               | Apr. 21/52             | 1K:3160A            | 443      |                              |        |                      |                                |
| Wire and Wire Goods:<br>Aluminum Cable<br>Aluminum Rods<br>Aluminum Wire<br>Cable, Copper<br>Copper Rods<br>Wire, Brass<br>Copper or Copper<br>Clad and Copper<br>Rope | Montreal, Que.<br>Brockville, Ont.<br>Toronto, Ont.<br>Shawinigan<br>Falls, Que. | —<br>—<br>—<br>294<br>—<br>—<br>—<br>— | —<br>—<br>—<br>50,000<br>—<br>—<br>—<br>— | —<br>—<br>—<br>1K:3200<br>—<br>—<br>—<br>— | Cancelled Oct. 1/52. 1L:2780 |                      |                        |                     |          |                              |        |                      |                                |
|  |  | —                                      | —   | —  | —                            | —                    | —                      | —                   | —        | —                            | —      | —                    | —                              |
| Copper Cable and Wire  | Montreal, Que.<br>Brockville, Ont.<br>Toronto, Ont.                              | 288                                    | 50,000                                    | 1K:3200                                    | Cancelled Oct. 1/52. 1L:2780 |                      |                        |                     |          |                              |        |                      |                                |
|  | Groups A & B.....<br>Groups A & B.....   | —<br>—                                 | —<br>—                                    | —<br>—                                     | 294<br>294                   | 60,000<br>50,000     | Oct. 1/52<br>Nov. 3/52 | 1L:2780<br>1L:2780A | —<br>320 | —<br>342                     | —<br>— | —<br>—               | —<br>—                         |
| Copper Cable and Wire (Cont'd.)  | Group D.....<br>Group D.....   | —<br>—                                 | —<br>—                                    | —<br>—                                     | 297<br>303                   | 60,000<br>50,000     | Oct. 1/52<br>Nov. 3/52 | 1L:2780<br>1L:2780A | —<br>330 | —<br>353                     | —<br>— | —<br>—               | —<br>—                         |
|  | Group F.....<br>Group F.....   | —<br>—                                 | —<br>—                                    | —<br>—                                     | 294<br>294                   | 60,000<br>50,000     | Oct. 1/52<br>Nov. 3/52 | 1L:2780<br>1L:2780A | —<br>320 | —<br>342                     | —<br>— | —<br>—               | —<br>—                         |
|  | Group Z.....<br>Group Z.....   | —<br>—                                 | —<br>—                                    | —<br>—                                     | 296<br>302                   | 60,000<br>50,000     | Oct. 1/52<br>Nov. 3/52 | 1L:2780<br>1L:2780A | —<br>329 | —<br>352                     | —<br>— | —<br>—               | —<br>—                         |



## APPENDIX A—Continued

| COMMODITY                                       | From                   | Prior to Increase |                      |                  | Increased to                |                      |                | 9% Inc. | 7% Inc. | Subsequent Changes |   |   |
|---|------------------------|-------------------|----------------------|------------------|-----------------------------|----------------------|----------------|---------|---------|--------------------|---|---|
|   |                        | Rate              | Minimum Weight (Lbs) | Tariff Reference | Rate                        | Minimum Weight (Lbs) | Effective Date |         |         | Tariff Reference   |   |   |
|   |                        |                   |                      |                  |                             |                      |                |         |         |                    |   |   |
| Wire and Wire Goods:<br>Clothes Line Wire, etc. | Groups A & B.....      | 154               | 80,000               | 1K:3260          | 180                         | 80,000               | Oct. 1/52      | 1L:2800 | 196     | —                  | — | — |
|   | Saint John, N.B.....   | 167               | 80,000               | 1K:3260          | 194                         | 80,000               | Oct. 1/52      | 1L:2800 | 211     | —                  | — | — |
|   | Sydney, N.S.....       | 173               | 80,000               | 1K:3260          | 198                         | 80,000               | Oct. 1/52      | 1L:2800 | 231     | —                  | — | — |
| Pipe, Cast Iron, also<br>Fittings and Washers   | Groups A & B.....      | 117               | 70,000               | 1K:1860          | Cancelled May 21/52, C.F.A. |                      |                | —       | —       | —                  | — | — |
|   | Trois Rivières, Que... | 125               | 70,000               | 1K:1860          | Tariff 1-K, Supp. 8         |                      |                | —       | —       | —                  | — | — |

*Explanation of Tariff References:*

1K Canadian Freight Association Tariff No. 1-K, C.T.C. No. 1455.

1L Canadian Freight Association Tariff No. 1-L, C.T.C. No. 1482.

77 Canadian Freight Association Tariff No. 77, C.T.C. No. 1481.

Figures following the colon (:) indicate the item number.



*Hon. C. P. McTaggart*

# ROYAL COMMISSION

ON

## TRANSPORTATION

HEARINGS

HELD AT

TORONTO

VOLUME No.:

**42**

DATE

**MARCH 14 1960**

OFFICIAL REPORTERS

ANGUS, STONEHOUSE & CO. LTD.

373 BAY STREET  
TORONTO

EM. 4-7083

EM. 4-7085







ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held  
in Simcoe Hall, University of  
Toronto, Toronto, Ontario,  
on the 14th day of March, 1960

COMMISSION

|                            |          |
|----------------------------|----------|
| Mr. M. A. MacPherson, Q.C. | Chairman |
| Mr. H. Anscomb             | Member   |
| Mr. A. H. Balch            | Member   |
| Mr. R. Gobeil              | Member   |
| Mr. H. A. Mann             | Member   |
| Mr. A. Platt               | Member   |

COMMISSION COUNSEL

|                        |         |
|------------------------|---------|
| Mr. A. G. Cooper, Q.C. |         |
| Mr. G. S. Cumming      |         |
| Mr. H. W. Ellicott     | Adviser |

|                    |                     |
|--------------------|---------------------|
| Mr. F. W. Anderson | Secretary           |
| Major N. Lafrance  | Assistant Secretary |





Toronto, Ontario,  
Monday,  
March 14, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: We will come to order, gentlemen. Will the Secretary please read the Order in Council?

THE SECRETARY: The Committee of the Privy Council have had before them a report from The Right Honourable John G. Diefenbaker, the Prime Minister, stating that it is in the national interest that a comprehensive and careful inquiry be made with all reasonable despatch into problems relating to railway transportation in Canada and the possibility of removing or alleviating inequities in the freight rates structure.

The Committee, therefore, on the recommendation of the Prime Minister, advise that

Herbert Anscomb, Victoria

Archibald H. Balch, Ottawa

Rene Gobeil, Quebec

M. A. MacPherson, Sr., Regina

Howard Mann, Moncton

Honourable Charles P. McTague, Toronto

Arnold Platt, Lethbridge

be appointed Commissioners under Part I of The Inquiries Act to inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof, and to recommend solutions thereto, and in particular without restricting the generality of the foregoing, the







Commission shall consider and report upon:

- (a) inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities;
- (b) the obligations and limitations imposed upon railways by law for reasons of public policy, and what can and should be done to ensure a more equitable distribution of any burden which may be found to result therefrom;
- (c) the possibilities of achieving more economical and efficient railway transportation;
- (d) whether, and to what extent, the Railway Act should specify what assets and earnings of railway companies in businesses and in vestments other than railways should be taken into account in establishing freight rates; and
- (e) such other related matters as the Commissioners consider pertinent or relevant to the specific or general scope of the inquiry.

The Committee further advise:

1. That the scope of this Commission shall not extend to the performance of functions which under the Railway Act are within the exclusive jurisdiction of the Board of





1 Transport Commissioners;

2  
3 2. That the Commissioners be authorized to  
4 exercise all the powers conferred upon them  
5 by section 11 of the Inquiries Act, and be  
6 assisted to the fullest extent by government  
7 departments and agencies;

8 3. That the Commissioners adopt such procedure  
9 and methods as they may from time to time deem  
10 expedient for the proper conduct of the  
11 inquiry and sit at such times and at such  
12 places in Canada as they may decide from time  
13 to time;

14 4. That the Commissioners be authorized to engage  
15 the services of such counsel, staff and tech-  
16 nical advisers as they may require at rates of  
17 remuneration and reimbursement approved by  
18 the Treasury Board;

19 5. That the Commissioners report to the Governor  
20 in Council with all reasonable despatch; and

21 6. That the Honourable Charles P. McTague be  
22 Chairman of the Commission.

23 R. B. Bryce,

24 Clerk of the Privy Council.

25 I also read, sir, from Privy Council Order  
26 195-1628, dated the 22nd of December 1959.

27 The Committee of the Privy Council have had  
28 before them a report from the Prime Minister submitting  
29 that the Honourable Charles P. McTague has, by reason of  
30 ill health, asked to be relieved of the responsibilities







1 placed on him as member and chairman of the Royal  
2 Commission on Transportation to which he was appointed  
3 by Order in Council P.C. 1959-577 of 13th May, 1959.  
4

5 The Committee accordingly advise that Mr.  
6 McTague's resignation as a member and chairman of  
7 the said Commission be accepted and that Murdoch Alexander  
8 MacPherson, Esquire, Q.C., a member of the Commission,  
9 be chairman thereof.

10 R. B. Bryce,

11 Clerk of the Privy Council.

12 THE CHAIRMAN: Gentlemen, I want to present to  
13 you the members of the Commission.

14 On my left is Mr. Balch, who is from Fort Erie  
15 and from Ottawa, and who has been active in the trade union  
16 movement all his life.

17 Next is Dr. Gobeil from the City of Quebec, who  
18 is not a physician or surgeon, but a Ph.D. from the Uni-  
19 versity of McGill.

20 Next is Mr. Anscomb, who for seven years was  
21 Minister of Finance of the Province of British Columbia,  
22 and who comes from the City of Victoria.

23 There is a vacant seat here, because Mr. Mann,  
24 who is from the City of Toronto and who is a graduate of  
25 the University of Toronto in Transportation Economy, and  
26 who is now Executive Manager of the Maritime Provinces  
27 Transportation Association, has been snowed up in the east  
28 but will be here this afternoon.

29 Then, Mr. Platt, who is from Lethbridge, Alberta,  
30 who is a Master of Science from the University of Alberta,







1 and who has been an executive officer of many organiza-  
2 tions in that province.

3 I am from the Province of Saskatchewan, and I  
4 have lived there for a great many years.

5 Now, gentlemen, we have been sitting as a  
6 Commission in every capital city of this vast country.  
7 We have heard submissions in every province of Canada,  
8 and I can assure you that there are many problems in the  
9 transportation field. Some of these problems are common  
10 to the provinces, some are peculiar to the provinces, and  
11 we have a great chore on hand in dealing with all the  
12 submissions that have been submitted.

13 We can only make recommendations. We can  
14 only do our best, and we can only do that which we feel  
15 is in the best interests of Canada.

16 We realize that emphasis is placed in the Order  
17 in Council on rail transportation, but we are asked to  
18 deal with the general transportation policy, and one  
19 thing we cannot avoid remembering is that efficient rail  
20 transportation is essential to every part of this coun-  
21 try.

22 Now, we will proceed, please: I think the first  
23 brief is from the St. Catharines and District Chamber of  
24 Commerce.

25 MR. MAURO: Mr. Chairman, I wonder if those  
26 who are presenting briefs would supply copies to counsel.  
27 We have not received copies of any of these briefs.

28 THE CHAIRMAN: If there are any available, I  
29 am sure counsel would like to have them.  
30





MR. CLARKE: Mr. Chairman, I believe there were sufficient copies sent over at the request of the Commission.

SUBMISSION OF  
ST. CATHARINES AND DISTRICT  
CHAMBER OF COMMERCE

Appearances:

|                      |  |
|----------------------|--|
| Mr. L. E. Clarke     | Customs and Traffic<br>Manager, Hayes Steel,<br>Limited, Kerritton, Ont.           |
| Mr. R. G. Paxton     | Traffic and Customs<br>Manager, Foster Wheeler<br>Limited, St. Catharines,<br>Ont. |
| Mr. Ralph Rawsthorne | Managing Secregary,<br>St. Catharines and District<br>Chamber of Commerce          |

MR. CLARKE: This brief was prepared at the request of The St. Catharines and District Chamber of Commerce by nine district traffic managers whose firms are members of the Chamber. A broad cross-section of area industry is represented by these traffic managers enabling them to discuss on realistic terms the references given the Royal Commission under P.C. 1959-577.

Points of national importance have been touched on but more attention has been given to the local scene where it was felt that the correction of the roots of the problems should be the first step.

Tables have purposely been omitted from this brief in an effort to confine the thoughts expressed to







1 basic problems and suggested probable solutions.

2 (a) Inequities in the freight rate structure,  
3 their incidence upon the various regions of  
4 Canada and the legislative and other changes  
5 that should be made, in furtherance of  
6 national economic policy, to remove or  
7 alleviate such inequities.

8  
9 1. The most glaring inequity in the freight rate  
10 structure today is the retention of the statutory rates  
11 on grain enacted in 1899, known as the Crow's Nest Pass  
12 Rates.

13 2. Recent press reports have made comparisons  
14 between percentages of freight moving under these rates  
15 and the percentage of revenue received. In every case  
16 presented it is evident that these rates do not pay  
17 their way and consequently the railways must recover from  
18 other shippers the deficit suffered on grain.

19 3. The statement of the Dominion Government that  
20 the Crow's Nest Pass rates would not be affected by the  
21 Commission's report does not alter the fact that these  
22 rates are inequitable and out-of-date and an unjust burden  
23 upon the railways and shippers of freight in general.  
24 If the national policy demands that the export grain  
25 rates be subsidized such subsidy should be borne by  
26 the national treasury and not by the railways whose com-  
27 petitive position is impaired because they must charge  
28 more for non-grain traffic.





1 (b) The obligations and limitations imposed  
2 upon railways by law for reasons of public  
3 policy and what can be done and should be  
4 done to ensure a more equitable distribution  
5 of any burden which may be found to result  
6 therefrom.

7  
8 4. The railways should be allowed more freedom to  
9 act as a composite transportation medium. When they  
10 find it more economical to substitute trucks for trains  
11 they should be permitted to enter the trucking field,  
12 subject to regulation in the public interests. Similar-  
13 ly they should be permitted to integrate airlines  
14 and steamships into their operations. They have the  
15 national and international organizations now to permit  
16 such a diversified operation which would prove helpful  
17 to the shipper, fewer pick-up trucks could serve this  
18 much wider field with less congestion at shipping and  
19 receiving ramps.

20 5. It is an indisputable fact that the railways are  
21 necessary to the country's needs. From this premise our  
22 conclusion is that the railways should be allowed to  
23 round out their operations with the flexibility of  
24 trucks because they are common carriers committed to  
25 accepting any and all traffic at any and all times.  
26 Highway transports are not national common carriers with-  
27 in the meaning of the Railway Act and as such can refuse  
28 unprofitable merchandise for carriage.

29 6. Industry in general is permitted to enter new  
30 fields as they see opportunities, restricted only by the







1 initiative and product knowledge of the founders. To  
2 restrict the railways by confining them to their own  
3 flanged wheel would not augur well for their future  
4 nor the future of our country.

5  
6 7. There is plenty of opportunity in Canada for  
7 the independent truckers without placing the railways in a  
8 strait-jacket.

9 (c) The possibilities of achieving more  
10 economical and efficient railway trans-  
11 portation.

12 8. The reinstitution of the LCL tracing system  
13 to compete with truck service where the tracing of a  
14 shipment either inbound or outbound can successfully  
15 be done, in contrast to the railways' inability to spot  
16 the location of a shipment after the first transfer  
17 point. Such a tracing system should be standardized and  
18 widely advertised to the shipping public to permit  
19 uniformity and speed in the operation of such a tracing  
20 system.

21 9. A campaign to improve employee morale, an  
22 aggressive sales programme at all levels, possibly an  
23 incentive bonus plan, would tend to produce more  
24 efficient employees. Filling top operational jobs  
25 from within the organization rather than from outside  
26 sources or from universities.

27 10. Local agents should canvass to a greater ex-  
28 tent and thoroughly inform themselves how the traffic from  
29 their locality moves. When traffic is lost to other  
30 means of transportation we feel that an effort should be







1 made to determine where the railway service has not been  
2 satisfactory or rates have not been competitive.

3  
4 I have a note here, Mr. Chairman, that is not  
5 included in our brief, but it is a note that we have dis-  
6 cussed and felt should go in. This is in relationship  
7 to the agents being able to determine where and why they  
8 have lost business. For control purposes we do not  
9 suggest that agents can arbitrarily change a published  
10 rate to meet published competition, but having been  
11 notified that a lower published rate is available by  
12 other means of transport, then the detail of the move  
13 should be passed to the district office where a quick  
14 assessment of the rate would not occasion a loss in  
15 revenues should be made, and authority given to authorize  
16 the rate for future moves to be confirmed and published  
17 at a later date.

18 11. Instances of damage should be more carefully  
19 investigated at the local level. At present the  
20 attitude appears to be to accept claims as though they  
21 were an uncontrollable factor, in contrast to the  
22 truckers' very active interest in such claims. It is  
23 only by investigation at the scene of the damage that  
24 the reason for and the prevention of future damage can  
25 be properly assessed.

26 12. There are instances where archaic agreements  
27 between company and union hamper efficiency. For  
28 example, some freight agent appointments are controlled  
29 by the telegraphers although telegraphy has not entered  
30 into the work for years and has been removed from the





1 office. Such agreements deter the appointment of the  
2 best managerial and sales people.

3 13. The installation of two-way radio on switch  
4 engines should be accelerated to increase the switching  
5 flexibility and speed. The work performance per crew  
6 could be greatly increased by this closer contact with  
7 the yard office or despatcher.  
8

9 15. The continued expansion of the piggy back  
10 operation to provide the door to door service of the  
11 trucks.

12 (d) Whether, and to what extent, the Railway  
13 Act should specify what assets and earn-  
14 ings of railway companies in businesses  
15 and investments other than railways should  
16 be taken into account in establishing  
17 freight rates.

18 15. In our opinion the earnings of other businesses  
19 and investments should not be taken into consideration  
20 when setting rates.

21 (e) Such other related matters as the Commis-  
22 sioners consider pertinent or relevant to  
23 the specific or general scope of the  
24 inquiry.

25 16. Instances have occurred locally where railway  
26 car parts and supplies have been shipped to the manu-  
27 facturer of such parts by truck. In all fairness to  
28 the railways' purchasing departments we must assume that  
29 they do not know of this practice.

30 17. We would recommend, however, that specific







1 instructions be given their sources of supply to ensure  
2 that railway services are used.

3 18. If the amount of traffic moving by road trans-  
4 port from this area, on railway business, is any  
5 criterion of what may be happening across Canada, then  
6 the railways could quite readily pick up additional  
7 business that is rightfully theirs.  
8

9  
10 -

11  
12  
13 -

14  
15 -

16  
17  
18 -

19  
20 -

21  
22  
23 -

24  
25 -

26  
27  
28 -

29

30





1 For the record, I have a couple of other notes  
2 I would like to add.

3 THE CHAIRMAN: Go ahead.

4 MR. CLARKE: This brief was discussed in part  
5 with the railway people in our area on the occasion of  
6 the various visits. Since pointing out some of the  
7 shortcomings, we have noticed a considerable improvement  
8 in the service and a general improvement in the attitude.  
9 It is our feeling that, if a marked improvement in the  
10 attitude of a local railway personnel can be achieved  
11 by pointing out some of the errors in operating methods,  
12 then this same improvement could be achieved in other  
13 localities.

14 To further round out this statement, we feel  
15 that railway personnel must get away from the civil  
16 servant attitude towards their jobs in order to achieve  
17 the initiative of the non-public-owned methods of trans-  
18 portation.

19 THE CHAIRMAN: Thank you, Mr. Clarke. I take  
20 it that the Royal Commission may have learned some good  
21 already in St. Catharines.

22 Mr. Cumming.

23 CROSS-EXAMINATION BY MR. CUMMING:

24 Q. I have a few questions, Mr. Chairman.  
25 Mr. Clarke, in the first paragraph in page 3 of your  
26 brief you say that in the opinion of your organization  
27 the Crow's Nest rates are "the most glaring inequity".  
28 Have you in mind any other inequities in the freight  
29 rates structure apart from the Crow's Nest rates?  
30





1                   A.    As far as our locality is concerned, we  
2 are only on the Canadian National, and that has proved  
3 a burden on occasions.

4                   Q.    You feel, I take it, that the shippers in  
5 the area have been paying higher freight rates and a  
6 higher proportion of the increases because of the ex-  
7 istence of those rates?

8                   A.    Yes.

9                   Q.    And you feel that the shippers in your  
10 area have taken a great proportion of the postwar  
11 freight rate increases because of that?

12                  A.    Yes.

13                  Q.    And you hold that view in spite of the  
14 fact that in your area perhaps more of the competitive  
15 modes of transport are available than in other parts of  
16 Canada?

17                  A.    I do not think we have any more than the  
18 rest of Canada.

19                  Q.    I suppose it would be fair to say that  
20 competitive modes of transportation have had the effect  
21 of holding down rates in your area, at least to some  
22 extent?

23                  A.    Oh, yes.

24                  Q.    In dealing with this suggestion of yours  
25 about increasing the use of railroads to act as trans-  
26 portation media, are there any other specific restric-  
27 tions that exist at present that you have in mind that  
28 might be removed in order to facilitate this?

29                  A.    This brief was prepared many months ago,  
30







1 and I notice that since we prepared this the freedom of  
2 movement has been broadened to some extent. It has  
3 nothing to do with what we have prepared, but I notice  
4 that the Canadian National, for instance, are buying  
5 other forms of transportation and are consequently exer-  
6 cising what we have suggested, even though we did not  
7 know at the time that these other modes of transporta-  
8 tion were being bought. But the idea here is that  
9 the whole of the transport system -- for instance, we  
10 may ship from St. Catharines to the West and we may wish  
11 to ship by air. At the present time we deliver it to  
12 an express office that will get it to Toronto. The  
13 thought behind our freedom of movement is that the  
14 trucks from the Canadian National Railways or from the  
15 air line come into our yard to make a pick-up rather  
16 than have us deliver. So the thing is to coordinate it  
17 from our door to the customer's door with maybe three  
18 different modes of transportation being involved in that  
19 one move, with only one truck coming in to make the  
20 pick-up. That is our thought in coordinating the modes  
21 of transportation.  
22

23 Q. I appreciate that. What I had in mind  
24 was whether or not you were concerned about any existing  
25 restrictions that limit the progress along the lines  
26 that you suggest.

27 A. Is the railway free to change a non-  
28 profitable service or line without going to the Board?

29 Q. That is what you have in mind -- questions  
30 of abandonment and things of that sort?





1 A. Yes.

2 Q. I see. Well, when you suggest that the  
3 railways should be active in the operation of trucks,  
4 is it your Association's view that the rates charged  
5 by those trucks should be subject to regulation the same  
6 way that the railways are?  
7

8 A. No. We have opposed the regulation of  
9 truckers up to the present time. There has to be some  
10 control, particularly if it is going to be a public-  
11 owned mode of transportation, but the regulation of  
12 rates is one we have opposed up to the present time.

13 Q. When you say there should be some control,  
14 perhaps you could assist the Commission by telling them  
15 what form of control you think there should be. I take  
16 it you would eliminate rates as a matter for control.  
17 How far should the control extend?

18 A. That is a very broad question. It has  
19 been the subject of quite a debate previously. But,  
20 while we would like to have freedom of rates, yet that  
21 can become a very serious thing if there is not some  
22 restriction on rates by competition -- perhaps that is  
23 the best way of restraining rates. We are not in  
24 favour of control or of a regulatory body controlling  
25 rates. Yet we do not want to see the control.  
26 Perhaps I have not answered the question.

27 Q. I might suggest this to you. Would you  
28 be content to see a requirement that rates be published,  
29 but no necessity or no power for a regulatory tribunal  
30 to fix the rates?







1                   A.    I think they should be published, but  
2  
3                   there should be at the same time the ability to give a  
4  
5                   rate that is a competitive rate that is already published.  
6  
7                   I can cite an example of that at the moment, if I may.

8                   We bring in a certain commodity from the  
9                   United States.    We bring it in from the United States  
10                  because it is a type of steel that is only produced  
11                  in Pennsylvania.   The rail rate at the present time  
12                  is 75 cents a hundredweight.   The published truck rate  
13                  by the Niagara Frontier Tariff Bureau is 66 cents -- a  
14                  nine-cent differential.

15                  Now, I have asked that the railways give us a  
16                  rate that is equal to the truck rate.    At 9 cents a  
17                  hundredweight, we cannot afford to pay that, so the usual  
18                  procedure has to be followed.    I realize there has to  
19                  be some kind of procedure.    One might say, "I have been  
20                  offered a rate of 66 cents and you are charging 75 cents.  
21                  Why don't you give me the 66-cent rate, and you can have  
22                  the business."    We realize that cannot be done.    This  
23                  is a published rate.    It has been published for a year  
24                  or two.    In order for the railways to give that rate  
25                  to our company, I have had several calls from the Hamil-  
26                  ton district office and from the local agent, but I want  
27                  to know, for instance, how much tonnage is going to move  
28                  and what is the minimum, and other factors.    These, I  
29                  realize, are necessary things, if a published rate does  
30                  not exist.    Where the rate is published and is in  
                  existence I feel that that information really is not  
                  of too much concern.           If the railways want the





1 business they must meet that 66-cent rate. My company  
2 cannot afford to pay the 9-cent differential no matter  
3 how much we may wish to support the railways.

4 Q. I see. You refer in paragraph 8 to  
5 the proposal to reinstitute the lcl tracing system.  
6 Have you had any discussion with the railway people about  
7 that subject?

8 A. As an expediter of inward movements, yes --  
9 quite considerable.

10 Q. What sort of reaction have you had to the  
11 suggestion that the lcl tracing system be reinstituted?

12 A. That it is too costly. The staff they  
13 require to provide a proper lcl tracing system has been  
14 discontinued over the years because of the cost factor,  
15 and yet we cannot operate unless we know when and where  
16 our material is going to reach our plant. Unfortunately,  
17 being a parts manufacturer, we are governed by the re-  
18 quests and requirements of our customers, the automobile  
19 makers. Most industry is the same. I take the  
20 automobile parts industry because I am very familiar  
21 with it, but other industries must know when and where  
22 their freight is going to arrive, and it is actually  
23 possible to do that with lcl rail movements, because  
24 there are no transfer points, no transfer of records,  
25 as I understand it, at the present time. This idea is  
26 another thing, because as truckers, in ninety-nine  
27 cases out of a hundred you can get the answer as to  
28 where the material is and when it is to be handled.

29 Q. Is this a serious problem? Does it  
30







1           come up a lot in your experience?

2                   A.    Yes.

3                   Q.    In paragraph 9 you make certain other sug-  
4                   gestions for improvements, Mr. Clarke.    You talk about  
5                   a campaign to improve employee morale.    Is there any-  
6                   thing you can tell the Commission as to what is wrong  
7                   with railway employee morale?

8                   A.    I do not know just quite how to say it,  
9                   sir.    The morale of the railway people that we deal  
10                  with is generally one of, "It's a lost cause, and what  
11                  can be done about it?"    With an attitude such as that,  
12                  I do not think that the people can go out and secure  
13                  business and find out what is wrong with the business  
14                  they have lost when they are subjected -- I won't say  
15                  "subjected to" -- but when they have that feeling that  
16                  whatever they do is of no avail.

17                  We all realize the tremendous number of people  
18                  who are concerned with the railway system and it is a  
19                  difficult job, but we have noticed in our area that there  
20                  is a sort of "don't give a damn" attitude, which is not  
21                  good for business, and rail business in particular.  
22                  That is not necessarily the case, but it has been our  
23                  opinion, and it has been discussed quite thoroughly  
24                  because, while it may affect some of our local people,  
25                  we have talked this thing over with railway personnel,  
26                  and I am happy to say that there has been a change.  
27                  We do not take the credit for this change just because  
28                  we have suggested it, but rather having pointed out some  
29                  of the difficulties and the fact that the railway is so  
30







1 big that it is very difficult to control. An individual  
2 worker such as a rate clerk has not much power and effect.  
3 I know that he cannot have total control over the rates  
4 he is quoting, but some change in attitude to me and to  
5 us seems to be necessary if the railways are to be as  
6 aggressive as other modes of transportation, and par-  
7 ticularly the truckers.  
8

9 Q. Your observation has been that there has  
10 been some improvement, at least in your area, on this  
11 question of morale?

12 A. Yes.

13 Q. Just so the railways may have the benefit  
14 of your thought application in the question perhaps you  
15 could tell us what you think is the real cause of this  
16 attitude of which you complain?

17 A. No, I do not feel prepared or able to tell  
18 you the cause of it.

19 Q. It is just something you have noticed?

20 A. It is something we have noticed, and the  
21 reasons I am afraid we have not determined.

22 Q. You make reference to the question of  
23 claims in paragraph 11. Is that part of the same picture  
24 of morale?

25 A. Yes, it is part and parcel.

26 Q. Is your complaint one of delays in settle-  
27 ments in the matter of claims?

28 A. No, it is not. It is just the reverse.  
29 It is a case that we feel we have not made enough of an  
30 effort to find out why the damage or the loss occurred.





1 We have had fairly good results from the payment of  
2 claims.

3 Q. Are you suggesting that the railways pay  
4 their claims too quickly?

5 A. Yes. I say that very quickly and in  
6 general terms. There have been instances where we have  
7 had quite long discussions with the railways on the  
8 question of claims, and there has been a difference of  
9 opinion on who is responsible. That has been a rare  
10 instance. Generally speaking, the railway will say,  
11 "Give us your claim and we will pay it," just about  
12 as promptly as that.

13 Q. Your criticism is that there has not been  
14 a follow-up on the case and that sort of thing?

15 A. Yes.

16 -

17 -

18 -

19 -

20 -







1 Q. In paragraph 15 you state that the  
2 opinion of your organization is that other assets and  
3 earnings of the railway companies in non-rail enter-  
4 prises should not be taken into consideration for rate-  
5 making purposes. Would you be good enough to tell the  
6 Commission, elaborate on this and tell us why you are  
7 of that opinion?  
8

9 A. Well, I am not a financial man and we  
10 don't have members in our group who are financial people,  
11 and therefore we are rather limited in our ability to  
12 state the reasons why we feel that this is so, other than  
13 to say that if a loss occasioned by the Consolidated  
14 Mining and Smelting, as an example, were to be paid for  
15 out of the rail rate and revenue, then it would affect  
16 the rail structure if the railways were to support an  
17 enterprise belonging to them out of the revenue of the  
18 railway.

19 Similarly, if the same company were to have  
20 exceedingly healthy profits and those profits were  
21 used to help defray the losses of the railway, again  
22 that does not reflect the true state of the rates. Rates,  
23 we feel, should stand on their own merits, on the railway  
24 alone.

25 Q. In your last two paragraphs on page 5  
26 you deal with this point of the shipping of railway parts  
27 which you say in some instances are shipped by truck  
28 and which you say should, in every case, be shipped by  
29 rail. Would you stay with that suggestion even though  
30 in instances the truck movement may be the cheaper one





1 even from the railway's point of view.

2 A. Well, where the railway materials are  
3 moved on company service, we say the railways should have  
4 it regardless.

5 MR. CUMMING: Thank you, Mr. Clarke. That  
6 is all.

7 THE CHAIRMAN: Mr. Hume.

8  
9 CROSS-EXAMINATION BY MR. HUME:

10 Q. Mr. Clarke, I will identify myself. I  
11 represent Canadian Trucking Associations, and just having  
12 seen your brief for the first time a few minutes ago,  
13 may I just understand something for my own purposes.

14 Is the St. Catharines and District Chamber  
15 of Commerce one Chamber of Commerce or is this a brief  
16 submitted by a group of chambers of commerce in your  
17 district?

18 A. No, it is one chamber of commerce.

19 Q. And again I am sorry, I got your name but  
20 not your position. What is your position with the  
21 Chamber of Commerce?

22 A. I am not with the Chamber of Commerce; I  
23 am with Hayes Steel Products.

24 Q. And you are a member of the Chamber of  
25 Commerce and I suppose were one of the nine of the  
26 district traffic managers who assisted in the preparation  
27 of this brief. I thought you were responsible for the  
28 preparation of this as you were reading it.

29 A. Not one hundred per cent, no. We met  
30 in committee and discussed these points.







1 Q. I take it, Mr. Clarke, that your company,  
2 the Hayes Steel Products, is largely a railway user  
3 rather than a truck user in respect of incoming shipments?  
4

5 A. No, it is the reverse.

6 Q. May I deal with three points in your  
7 brief, sir. The first one is with respect to para-  
8 graphs 4 to 7, where you are discussing y ur theory that  
9 the railways should have more freedom, you say, should  
10 be permitted to enter the trucking field, subject to  
11 regulation in the public interest. May I ask you what  
12 you mean by that? It is paragraph 4, the second  
13 sentence.

14 A. I am sorry, would you repeat your question?

15 Q. You make the point, as I understand your  
16 brief, that if the railways find it more economical to  
17 substitute trucks for trains they should be permitted  
18 to enter the trucking field, subject to regulation in  
19 the public interests. I am just interested in what you  
20 mean by that.

21 A. There again that is rather a broad state-  
22 ment, but if the railways were to substitute trucks for  
23 some of their unprofitable rail lines they wouldn't have  
24 the holus-bolus free hand at establishing rates. There  
25 has to be some control, but we don't appreciate the  
26 fact of regulating truck rates, and in the public inter-  
27 est you cannot have a truck line that is owned by the  
28 railway quoting any and all kinds of rates. You must  
29 protect the trucking industry, which is of national im-  
30 portance as well.







1 Q. I think you have said already to my friend  
2 Mr. Cumming that you don't want regulation of truck rates.  
3 Would you require the railway-owned truck lines to be  
4 regulated in relation to their rates and the independent  
5 truck lines not so regulated?

6 A. No.

7 Q. Perhaps I have misunderstood.

8 A. Yes, I think you have. It is our thought  
9 that the railway-owned truck line should have the same  
10 privileges and advantages as privately-owned truck lines  
11 but would not be governed by the Board of Transport  
12 Commissioners as the railways are.

13 Q. Is it your suggestion that there ought to  
14 be some regulation in the public interest with relation  
15 to rates?

16 A. Rates and safety.

17 Q. Well, any user of the highway is subject  
18 to the normal safety regulations under the Highway  
19 Traffic Act in this province. Is that not so?

20 A. Yes.

21 Q. Is that what you mean by your suggestion  
22 that there ought to be some regulation in the public  
23 interest? I am just trying to get at what you are  
24 trying to say to the Commission with respect to rail  
25 entry into the trucking field. What do you say about  
26 regulation subject to the public interest?

27 A. Only that they don't have a free hand, an  
28 altogether free hand; in other words, some control.

29 Q. Would you think that some regulation which  
30





1 would prevent them from eliminating the independent  
2 truck line would be the kind of regulation you have in  
3 mind?

4 A. No.

5 Q. You wouldn't go that far?

6 A. No.

7 Q. Just some regulation so that they would  
8 not have a free hand?

9 A. Actually that paragraph could have been  
10 left out. Again all I want to do is state that the  
11 railway-owned truck lines should not have an absolutely  
12 free hand in relation to rates or anything else. In  
13 other words, most of these things are already controlled.

14 Q. But the fact it was there you will appreciate was of interest to me.

15 You make the point in paragraph 7, and I think  
16 you may have partially answered it to my friend. You  
17 use the word "strait-jacket". May I suggest to you  
18 that the railway is in the same position as anyone else  
19 in wanting to enter the trucking industry in this province?  
20

21 A. It is pretty well across Canada.

22 Q. If I may refer to my friend Mr. Frawley  
23 where they don't have the public convenience rule. But  
24 if anybody wants to establish a trucking line they must  
25 establish before the Board that there is need for that  
26 service. At the railways in your opinion any different  
27 in that regard?  
28

29 A. I believe so, in that if there is a line  
30







1 operating between two rather remote localities, com-  
2 munities, the expense of maintaining that rail line  
3 may not warrant the traffic moving over it, and a  
4 truck line between these two communities could operate  
5 more efficiently and probably provide a better service.  
6 So that is why we feel that the railways should be able  
7 to place a trucking service on that route rather than  
8 to continue to maintain the outmoded inefficient railway  
9 route.  
10

11 Q. Would your view change if there were  
12 already adequate public highway service between those two  
13 points?

14 A. No, I don't think so. I think if there  
15 is a road between the two communities I don't see why  
16 the railway should be restricted from using it.

17 Q. On those same publicly-owned roads, would  
18 you agree that with the present system of requiring any-  
19 body, railways or anybody else, if they wanted to estab-  
20 lish a service to the satisfaction of some tribunal that  
21 it is necessary, that service should continue?

22 A. Yes.

23 Q. In your paragraph 5, Mr. Clarke, you qualify  
24 your last sentence by saying: "Highway transports are  
25 not national common carriers within the meaning of the  
26 Railway Act. . .". You are not suggesting that a  
27 highway operator is not a common carrier as to the rates  
28 he sets?

29 A. I am not too certain on the law as it  
30 stands, and I only know that in many instances certain





1 types of rates have made it so unprofitable because of  
2 the cost factor.

3 Q. In other words, there are certain goods  
4 which are not economic to carry. I take it that you  
5 are not suggesting that truck operations generally are  
6 not common carriers and that they must accept the freight  
7 handed to them within their capacity, and if they fail  
8 to do so and a complaint is made their licences in most  
9 provinces are reviewed. Do you know anything about  
10 that?

11 A. No, I don't.

12 Q. Have you known of any instances where the  
13 freight has been turned down?

14 A. It hasn't been turned down.

15 Q. In paragraph 16 -- I think again you  
16 probably answered the question to my friend Mr. Cumming,  
17 but do I understand your answer that if a shipper in  
18 his free choice of shipping decides that it is better  
19 by either service or flexibility or cost to ship by  
20 truck, if it is going into a railway carriage it has  
21 got to go by rail? Is that what is implied in paragraph  
22 16?

23 A. That is right.

24 MR. HUME: Thank you.

25 THE CHAIRMAN: Mr. Ferriss?

26 MR. FERRISS: Thank you, Mr. Chairman. I  
27 have no questions at this time, although I must say we  
28 have not been favoured with a copy of the brief, and  
29 we trust one will be produced in due course.  
30







1  
2 THE CHAIRMAN: You are appearing for whom?

3 MR. FERRISS: Southwestern Ontario.

4 MR. HUME: Mr. Chairman, may I interrupt to  
5 suggest respectfully the way of solving this problem  
6 that we met with through western Canada. You will  
7 remember on the Road Commission ten years ago when you  
8 were acting as counsel we had the same problem.

9 MR. SINCLAIR: We had worse problems in  
10 Saskatchewan.

11 MR. HUME: Mr. Clarke said that the required  
12 number of copies were sent, and that is correct; he  
13 sent the twenty-five copies required for the use of the  
14 Commission, but that doesn't include the fringe people,  
15 and I am hoping, with the busy time ahead of us in  
16 Ottawa, that when a brief is submitted to the Commission  
17 there may be some way -- and I would be glad to undertake  
18 part of the cost of this -- that if these people would  
19 acknowledge the twenty-five copies and then be sent a  
20 list and asked could these be sent to the other people,  
21 and in this way we would have an opportunity of looking  
22 at the briefs ahead of time. A brief is handed to us  
23 at the last minute and we don't have a chance to study  
24 it, and I am afraid unnecessary time is wasted while  
25 counsel fumbles around trying to protect his client's  
26 interests, and if it was understood there are other  
27 people interested it would greatly facilitate matters.  
28 Thank you.

29 THE CHAIRMAN: What you are trying to do is  
30 put all counsel in the position you are referring to now







1 so that we will have the most intelligent form of cross-  
2 examination.

3 Mr. Mauro?

4  
5 CROSS-EXAMINATION BY MR. MAURO:

6 Q. Mr. Clarke, my name is Mauro, and I  
7 represent the Province of Manitoba.

8 On page 3, paragraph 1 of your submission,  
9 Mr. Clarke, you tell us that in the opinion of your  
10 Association the most glaring inequity in the freight  
11 rates structure is the retention of the statutory  
12 rates on grain, and in the preamble on page 2 you  
13 advise the Commission that tables have purposely been  
14 omitted from this brief in an effort to confine the  
15 thoughts expressed to basic problems and suggested  
16 solutions. So I assume that the approach of your  
17 organization to this matter of transportation generally  
18 and your comments with regard to the statutory rates on  
19 grain are to be treated as basic problems and basic  
20 principles, and in the opinion of your Association the  
21 present rates on grain are basically inequitable; is  
22 that correct?

23 A. Yes.

24 Q. And I assume that, from your reference to  
25 recent press reports, your Association has come to this  
26 conclusion because they have read that revenues have  
27 not met cost; is that correct?

28 A. That is correct.

29 Q. So your Association takes the position  
30 that all rates should meet fully distributed costs; is





1 that correct?

2 A. No.

3 Q. What is the position of your Association?

4 A. Well, that is rather a long and lengthy  
5 question to ask. Can you put it in specific terms for  
6 me?

7 Q. Yes, I will put it in specific terms for  
8 you. Are you aware that the railroads in their appli-  
9 cation in conjunction with the statutory rates on grain  
10 are asking for fully distributed costs?

11 MR. SINCLAIR: I think my friend should be  
12 fair to the witness and tell him the reason for that is  
13 a fair contribution over variable cost.

14 MR. MAURO: Oh, my friend is going to have  
15 an opportunity to cross-examine.

16 THE CHAIRMAN: I think the question is in  
17 order if the witness understands it.  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30







1 Q.. Mr. Clarke, there is no doubt in your  
2 mind as to what I refer to when I refer to fully dis-  
3 tributed as opposed to variable costs?

4 MR. SINCLAIR: If Mr. Mauro is going to  
5 state facts he should state them accurately.

6 THE CHAIRMAN: I suggest that if the witness  
7 understands the question then he should answer it.

8 MR. MAURO: Q. Do you understand the  
9 question, MR. Clarke?

10 A. Yes. In other words, if grain is going  
11 to move, the railways' intention is that the cost of the  
12 movement should be borne by the shipper; is that it?

13 Q. No, as a matter of fact it is not. I  
14 think since you refer to press reports and a certain  
15 press has been very full of what the railways have been  
16 demanding -- you know the grain shippers have not put in  
17 their case yet -- the railways are suggesting that grain  
18 should pay in its out-of-pocket expenses plus a specified  
19 contribution to overhead and revenue to fully distributed  
20 costs, fully distributed costs. That is what the  
21 railways are asking for in accordance with the movement  
22 of grain. I wondered whether your Association was  
23 supporting it, and I take it from your submission to  
24 this Commission that the St. Catharines Chamber of  
25 Commerce was supporting the railways' position. Per-  
26 haps I am incorrect in that. Are you supporting the  
27 railways' position?

28 A. Not one hundred per cent.

29 Q. Well, tell us the per cent.  
30





1 A. Well, I do not think I can give you any  
2 percentage, but I will give you what our thoughts are.  
3 If the growers of wheat in the west are going to compete  
4 with the export market then it should not be at the  
5 railways' expense. Now, we realize that in order to meet  
6 an export market the western provinces apparently cannot  
7 grow grain at a rate or at a cost that would provide an  
8 export market opportunity, so they have had the benefit  
9 of the Crow's Nest rates, as I understand it, for some  
10 years in order to get their grain to a port of shipment.  
11 Now, we realize they may have difficulties in meeting  
12 competitive grain prices in other countries or the  
13 countries of import so that in order to not have any  
14 oppression on the western farmer we suggest that the  
15 railways not be bogged down with the cost of gathering  
16 this grain to port but that some cost come out of the  
17 national treasury.  
18

19 I know it is taking it out of one pocket in-  
20 stead of another, but it puts the railways on a more  
21 straightforward accounting basis than they are at the  
22 present time with the export grain rates as they are.

23 Q. In the degree of cost, you in your business  
24 understand that there is a fairly wide margin between, for  
25 instance -- we use the term out-of-pocket costs and the  
26 full distributed costs, and one can have costs and one  
27 can have costs, and what is the cost that your associa-  
28 tion suggests should be borne by the grain shipper?  
29 Should it be this fully distributed cost?

30 MR. SINCLAIR: Grain shipper?







1 A. I do not know what a fully distributed  
2 cost is. If you were to explain that very briefly ---

3 Q. Well, your fully distributed costs are  
4 total cost including contribution, interest on the bonds,  
5 all costs associated and properly allocatable to that  
6 movement.

7 A. Every other business is subjected to these  
8 fully distributed costs.

9 Q. Right. So your Association would say  
10 that the grain should bear these fully distributed costs;  
11 is that correct?

12 A. May I confer one moment?

13 Q. Yes, surely.

14 A. We have not made a study of this. We have  
15 taken a lot of this from the press and we met with the  
16 railways and feel that some rates are increased by the  
17 fact that they have to pay for the grain rates.

18 Q. So, from what you have read in the press  
19 and what the railways have told you you have come to the  
20 conclusion that the present grain rates are resulting  
21 in this burden because you told us you talked to the  
22 railways about it?

23 A. Yes.

24 Q. So that you say, and I think you and I will  
25 agree, that certainly this at least is your position,  
26 that if in fact grain rates are not bearing their proper  
27 cost they might result in a burden on other shippers?

28 A. That is true.

29 Q. And whether or not we agree on fully  
30







1 distributed or variable costs as being applicable, your  
2 association certainly would say grain should be treated  
3 the same as other movements of freight; is that correct?

4 A. Yes.

5 Q. And if this Commission were to come to  
6 the conclusion, for the sake of discussion, that grain  
7 should bear fully distributed costs, total costs, then  
8 your Association would say on the basis of the principle  
9 of equity that other freight movements should bear the  
10 same cost, that the specific movement should bear what  
11 it costs to move the particular commodity?

12 A. I think so, yes.

13 Q. And you would apply that principle to  
14 agreed charges, would you not?

15 A. No.

16 Q. You would not apply it to agreed charges?

17 A. No.

18 Q. Oh, I see.

19 MR. SINCLAIR: Let him finish.

20 MR. MAURO: Q. I will let him finish com-  
21 pletely.

22 A. Agreed charges are for a specific type of  
23 movement and in order for railways to have that business  
24 from either steamships or trucks, they have to give  
25 something. Now, you cannot say, I do not think, the  
26 same thing about grain.

27 Q. You feel they do not have to give any rate  
28 on grain because it is captive, they do not have to get  
29 it back from steamships or trucks?  
30





1 A. The trucks would not take it.

2 Q. Mr. Hume has something to say about that.

3 The distinction that the St. Catharines Chamber of Com-  
4 merce sees in the movement of grain and under agreed  
5 charges is that the railways have to give the agreed  
6 charges, that they also have to win back the business  
7 from truckers or steamships but in the case of grain  
8 they do not have to win that back from anybody?

9 A. I think it would be advantageous for the  
10 railways to give an agreed charge for their grain.

11 MR. SINCLAIR: So do I.

12 MR. MAURO: Q. And if there was an agreed  
13 charge on grain -- that is very kind -- and if it was  
14 givethen your Association says it does not have to be  
15 fully distributed costs because they should not apply on  
16 agreed charges?

17 A. I am not going to answer the question on  
18 fully distributed costs or whatever costs you say because  
19 I do not know what I am talking about until I see the  
20 figures in front of me as to what they are. They are  
21 general terms and I am not prepared to answer.

22 Q. Strike them from your mind. Whatever  
23 costs are decided on as being applicable to grain because  
24 this brief was based on basic principles; you told us in  
25 the preamble there were not going to be any tables or  
26 statistics. The basic principle is that the same type  
27 of costs that are applicable to grain should in equity be  
28 applied to other movements, and I think you told me that  
29 would be your position?  
30







1 A. Yes.

2 Q. My next question is including movement of  
3 commodities under agreed charges?

4 A. Yes.

5 Q. And you would agree that the same prin-  
6 ciples should apply as to costs regardless of fully  
7 distributed or variable?

8 A. Yes.

9 Q. And the same principles should apply to  
10 competitive rates, the same principles as to costs?  
11 For instance, Mr. Clarke, from the Waybill Analysis we  
12 see that there is a movement of steel from eastern  
13 Canada to the maritimes and the revenue per car on that  
14 movement is \$170 for 810 miles. Under the Crow's Nest  
15 Pass rates on movement of grain for 810 miles the revenue  
16 per car was \$220. If there was going to be an investi-  
17 gation of grain rates, the St. Catharines Chamber of  
18 Commerce, because its brief is based on principle and  
19 equity, would say to this Commission, "We want you to  
20 look into them all, we want you to look into the whole  
21 rate structure in Canada, and if you find that grain is  
22 the evil then correct it, and if you find that there are  
23 other weak points, correct them." That is your position?

24 MR. SINCLAIR: What is the question?

25 THE CHAIRMAN: Ask him that question.

26 MR. SINCLAIR: That is a speech.

27 MR. MAURO: Well, it is a good one.

28 MR. SINCLAIR: A very poor one.

29 THE WITNESS: I do not understand your reference  
30





1 to steel from eastern Canada to the maritimes.

2 MR. SINCLAIR: How many cars?

3 MR. MAURO: Q. Say there is one?

4 A. Montreal to Halifax.

5 Q. Eastern region to the maritimes. You  
6 would, on the basis of equity say that these rates should  
7 also be examined to see whether or not they were paying  
8 their proper costs in the rate structure?  
9

10 A. Yes, that is quite true. I think in com-  
11 paring the commodity shipped one must take that into  
12 consideration.

13 Q. And if they are low they should be raised  
14 regardless of whether it is steel or grain?

15 A. Well, no, there is a difference in the  
16 handling of the two products.

17 Q. Now, as to this matter of equity, you  
18 would say, I suggest, that this Commission should also look  
19 into the situation as to the rates under what have become  
20 known as transcontinental rates between various parts of  
21 Canada from, for instance, Toronto to Vancouver and from  
22 Winnipeg to Vancouver and try to come up with an equitable  
23 principle as to the rate structure covering the movement  
24 of commodities between those various areas.

25 For instance, would you feel that the shipment  
26 of canned goods from Toronto to Vancouver at a rate of  
27 \$1.80 per 100 pounds, 60,000 minimum, and the shipment  
28 of canned goods from Winnipeg to Vancouver at \$1.95 a  
29 hundred pounds, the same minimum weight, that the move-  
30 ment from Vancouver to Toronto is 1,208 miles further --  
do you think that is an equitable thing?







1                   A.    We are not interested in that aspect.

2                   However, we have such a terrific competition from the  
3                   State of Washington that we didn't have that rate -- I am  
4                   not too familiar with them, and I am not particularly  
5                   interested in them.    On general principle we would not  
6                   sell to Vancouver if we didn't have that rate.

7                   Q.    But the Winnipeg grower of the foods that  
8                   go into the cans in Winnipeg faces similar competition,  
9                   and it would seem, wouldn't it, that there is something  
10                  wrong with the rate structure that charges the Winnipeg  
11                  canned goods man 15 cents per 100 pounds more for going  
12                  1208 miles less?

13                  A.    It seems quite reasonable that there is  
14                  something wrong with that rate, yes.

15                  Q.    So that, really, there are a number of  
16                  items that may be grouped under inequities in the present  
17                  rate structure that the St. Catharines Chamber of Com-  
18                  merce, had they had an opportunity to fully go into it,  
19                  would want to have examined on the basis of justice and  
20                  equity?

21                  A.    Yes.

22                  Q.    Does your Association take any position  
23                  on tolls on the Welland Canal?

24                  A.    Well, there again, my own company is not  
25                  particularly affected by the tolls on the Welland Canal.  
26                  Therefore, we haven't too much to say, other than the  
27                  fact that somebody has got to pay for the canal, and to  
28                  the shippers of bulk movement it must be a hardship.  
29                  But, we can't get everything for free.  
30







1 Q. Oh, no. The portion that the tolls on  
2 the Welland Canal are paying for is the deepening of the  
3 Welland, isn't it?

4 A. That is right.

5 Q. But your company and the St. Catharines  
6 Chamber of Commerce have taken no position on this  
7 matter?

8 A. No, we haven't put anything into our brief.  
9 Some of our member companies have objected to the tolls  
10 -- people who are volume shippers.

11 Q. Just so that this position of your  
12 Association is completely clarified I take it that the  
13 general approach is that from the viewpoint of the  
14 shipper in Canada this Royal Commission should investi-  
15 gate and assess whether or not various movements which  
16 result in deficits to the carriers, because in the opinion  
17 of your Association these deficits have to be borne by  
18 other freight shippers?

19 A. That is the present situation.

20 Q. Would you apply that to such movements  
21 as passenger services also?

22 A. Yes.

23 Q. And branch line operations?

24 A. In all fairness, yes.

25 Q. Commuter services?

26 A. I am not familiar enough with them.

27 Q. Well, I am trying to deal with it as a  
28 principle that if, in fact, there are deficits on these  
29 other services, they too must be borne by the other  
30

|     |     |
|-----|-----|
| 1   | 1   |
| 2   | 2   |
| 3   | 3   |
| 4   | 4   |
| 5   | 5   |
| 6   | 6   |
| 7   | 7   |
| 8   | 8   |
| 9   | 9   |
| 10  | 10  |
| 11  | 11  |
| 12  | 12  |
| 13  | 13  |
| 14  | 14  |
| 15  | 15  |
| 16  | 16  |
| 17  | 17  |
| 18  | 18  |
| 19  | 19  |
| 20  | 20  |
| 21  | 21  |
| 22  | 22  |
| 23  | 23  |
| 24  | 24  |
| 25  | 25  |
| 26  | 26  |
| 27  | 27  |
| 28  | 28  |
| 29  | 29  |
| 30  | 30  |
| 31  | 31  |
| 32  | 32  |
| 33  | 33  |
| 34  | 34  |
| 35  | 35  |
| 36  | 36  |
| 37  | 37  |
| 38  | 38  |
| 39  | 39  |
| 40  | 40  |
| 41  | 41  |
| 42  | 42  |
| 43  | 43  |
| 44  | 44  |
| 45  | 45  |
| 46  | 46  |
| 47  | 47  |
| 48  | 48  |
| 49  | 49  |
| 50  | 50  |
| 51  | 51  |
| 52  | 52  |
| 53  | 53  |
| 54  | 54  |
| 55  | 55  |
| 56  | 56  |
| 57  | 57  |
| 58  | 58  |
| 59  | 59  |
| 60  | 60  |
| 61  | 61  |
| 62  | 62  |
| 63  | 63  |
| 64  | 64  |
| 65  | 65  |
| 66  | 66  |
| 67  | 67  |
| 68  | 68  |
| 69  | 69  |
| 70  | 70  |
| 71  | 71  |
| 72  | 72  |
| 73  | 73  |
| 74  | 74  |
| 75  | 75  |
| 76  | 76  |
| 77  | 77  |
| 78  | 78  |
| 79  | 79  |
| 80  | 80  |
| 81  | 81  |
| 82  | 82  |
| 83  | 83  |
| 84  | 84  |
| 85  | 85  |
| 86  | 86  |
| 87  | 87  |
| 88  | 88  |
| 89  | 89  |
| 90  | 90  |
| 91  | 91  |
| 92  | 92  |
| 93  | 93  |
| 94  | 94  |
| 95  | 95  |
| 96  | 96  |
| 97  | 97  |
| 98  | 98  |
| 99  | 99  |
| 100 | 100 |



1 freight shippers?

2 A. When you are getting at commuter services,  
3 you are not bringing freight into the picture. I think  
4 we should leave that out.

5 Q. But if the railways lose on the commuter  
6 services, who pays for it?

7 A. The railways pay for it.

8 Q. The freight shipper pays for it?

9 A. If the overall picture of freight is  
10 governed by the total railway revenue, which I suggest  
11 it should be, then ---

12 Q. Well, it is.

13 A. That is right.

14 Q. I have one other matter to deal with, Mr.  
15 Clarke, and that is this matter of other assets. On  
16 page 5 of your submission, paragraph 15, you say, "In  
17 our opinion the earnings of other businesses and invest-  
18 ments should not be taken into consideration when setting  
19 rates." Would you take the same position in regard to  
20 other transportation agencies that the railways operate?  
21 What about the C.P.R. and Smith Transport -- the trucking  
22 companies?

23 A. Are they not one and the same thing?

24 Q. No. I thought perhaps the St.Catharines  
25 Chamber of Commerce was not familiar with the present  
26 situation. The Canadian Pacific Railway bought out  
27 what was considered to be one of the largest single  
28 trucking companies in Canada -- Smith Transport. However,  
29 the revenues, costs, of Smith Transport are not taken into  
30







1 consideration under their present classification of  
2 accounts?

3 MR. SINCLAIR: I think you should tell the  
4 witness that it is because the Board has not deemed them  
5 to be part of rail transport.

6 MR. MAURO: Right.

7 MR. SINCLAIR: And they can, and my friend  
8 has never made an application to bring them in.

9 MR. MAURO: No. This Commission is looking  
10 into that. That is why the Governor in Council set  
11 it out in the terms of reference.

12 MR. SINCLAIR: Well, if we are going to argue  
13 the interpretation of a clause ---

14 THE CHAIRMAN: For the record, under classifi-  
15 cation of accounts, any profits allotted are not attri-  
16 buted to rail, and your question was, whether or not the  
17 witness thinks they should be?

18 MR. MAURO: I wanted to get the exact opinion  
19 of the witness in the light of the categorical statement  
20 they should not be, and I wanted to see whether the  
21 witness knew what the present situation was, and he said  
22 he didn't know trucking was not taken into account.

23 MR. SINCLAIR: Some trucking. That is a  
24 fact. I think my friend should not put facts to the  
25 witness that are incorrect. Some trucking is, and some  
26 is not.

27 THE CHAIRMAN: Well, it is determined by the  
28 classification of accounts.

29 MR. SINCLAIR: Yes, and my friend does not seem  
30





1 to be able to read it. This is the second or third  
2 time he has misstated it.

3 MR. MAURO: Q. Did you know whether or not  
4 the Smith Transport and the Canadian Pacific trucking --  
5 did you think that the Canadian Pacific trucking enter-  
6 prises were taken into account -- did you think they  
7 were?  
8

9 A. I understand that Smith Transport were  
10 owned by the C.P.R., and as such -- whether they had a  
11 consolidated statement or not, I wasn't aware.

12 Q. Did you think Canadian Pacific Air Lines  
13 was part of the picture?

14 A. I don't know.

15 Q. And did you think that the Canadian Pacific  
16 Steamships was taken into account?

17 A. I don't know whether they are or not. I  
18 know they are part of the Canadian Pacific.

19 Q. Did you know whether the Duluth, South  
20 Shore and Atlantic Railroad Company was taken into the  
21 picture?

22 A. I don't see what this is arriving at.

23 Q. Well, you have made the statement, "In  
24 our opinion the earnings of other businesses and invest-  
25 ments should not be taken into consideration when setting  
26 rates." And I think you made it clear that such an  
27 item as Consolidated Mining and Smelting should not be  
28 taken into consideration, and I am now trying to ascer-  
29 tain whether your Association meant also other transport  
30 enterprises of the Canadian Pacific Railway?







1           A.    Yes, I think that follows, that the rail-  
2 ways must stand on their own and must not be subsidized  
3 or supported by other enterprises.

4           Q.    Including other transportation enterprises?

5           A.    Yes, I think so.    One has got to stand  
6 on the other, but where you have a line that has taken  
7 the place of an old rail line, then that line should go  
8 into the railway accounting.    I will put that another  
9 way, if you want: if, as we suggest, a truck line be  
10 substituted for a non-profitable rail line, then the  
11 earnings or not of that truck line must be taken into  
12 railway accounting, but if the Canadian Pacific, who have  
13 a subsidiary in the Smith Transport -- or whatever it is  
14 called now -- then Smith have got to stand on their own  
15 unless any portion of Smith is taking the place of a  
16 former railway line.

17           Q.    Or even if Smith is competing with the  
18 C.P.R. and taking traffic off the rail -- Smith will  
19 stand by itself, and the rail will?

20           A.    That is a good healthy condition.

21           Q.    Yes, and any deficits resulting as a result  
22 of that should be borne by the rail users?

23           A.    Is that a question?

24           Q.    Yes.    You mentioned that the railways are  
25 losing a fair amount of business to trucking competition?

26           A.    Yes.

27           Q.    And if some of that is made up by their  
28 own companies, then you say that is quite all right, just  
29 look at the trucking operation and look at the rail  
30







1 operation, and as far as the rail operation is concerned,  
2 it should stand on its own two feet?

3 A. Yes, I stay with that statement.

4 Q. And they should not change the present  
5 classification of accounts to include all the transpor-  
6 tation enterprises of the C.P.R.?

7 A. I don't know what the change of classifica-  
8 tion of accounts has to do with it.

9 Q. Well, that is how these things are made up  
10 presently. There is a classification of accounts estab-  
11 lished.

12 A. I see.

13 Q. And that is the system under which  
14 the railways report revenues for rate-making purposes?

15 A. Well, I think we will stand on the fact  
16 that the railways or the truck line of the railways must  
17 stand on its own.

18 Q. You are aware that when the C.P.R. began  
19 this charter back in 1881 that they entered into a contract  
20 with the federal government under which the C.P.R. re-  
21 ceived \$25 million and 25 million acres of land -- in  
22 Western Canada, by the way -- and that one of the con-  
23 ditions was that they would perpetually maintain and  
24 efficiently operate the rail system, and, I am not asking  
25 to interpret that, because my learned friend will argue  
26 that at a later date, but the St. Catharines Chamber of  
27 Commerce would certainly support the view that those con-  
28 tracts should be given full effect to?

29 A. They received 25 million acres of land?  
30





1 Q. Yes.

2 A. And what did they spend?

3 Q. Well, we have plenty about what they spent,  
4 but they received -- in addition to those items, they  
5 received other very valuable concessions, but we will  
6 deal with those two; they were given for a purpose -- it  
7 was consideration -- it was a contract -- and I am  
8 asking whether or not the Chamber of Commerce of St.  
9 Catharines would support and uphold this contract that  
10 the C.P.R. and the Government of Canada -- that it should  
11 still be binding, and whatever interpretation this  
12 Commission gives to that contract, is just as real today  
13 as it was in 1881?

14 A. That is true; the law of contracts should  
15 be upheld, except that was -- how many years ago? 1879?  
16 Times have changed, and if Canada is going to progress,  
17 those conditions that existed then have of necessity  
18 got to change now.

19 Q. But would you say that if there is going  
20 to be any change, that it is a two-way thing: you would  
21 not want them to be able to keep what they received, and  
22 not do what they promised to do?

23 A. This has to be fifty-fifty.  
24  
25  
26  
27  
28  
29  
30







1 ---Short recess.

2  
3 THE CHAIRMAN: Mr. Frawley.

4  
5 CROSS-EXAMINATION BY MR. FRAWLEY:

6 Q. Thank you Mr. Chairman. Mr. Clarke, my  
7 name is Frawley, and I represent the Province of Alberta  
8 in these proceedings.

9 Mr. Clarke, you did make some very positive  
10 statements about the rates to move grain to export  
11 positions from Western Canada, and you make the state-  
12 ment that the railways must recover from other shippers  
13 the deficit suffered on grain. Now, Mr. Clarke, have  
14 you made sufficient study of the Canadian freight rates  
15 structure to be able to tell us where the other deficit  
16 traffics are -- assuming that grain is one for the sake  
17 of my discussion with you. We will assume that the  
18 export grain movement is a deficit traffic. Are you  
19 aware of where the others are, or are you aware there  
20 are other deficit traffics in the structure?

21 A. I imagine there are other deficit traffics  
22 in the structure, but I have not made a sufficient study  
23 of them to determine that, only what would affect our  
24 own industry.

25 Q. I am going to say right now that the  
26 people in the Niagara Peninsula are just as good Canadians  
27 as any Canadians we find anywhere in Canada and they do  
28 not desire to take a parochial view of the Canadian  
29 freight rate structure. They have a good broad  
30 Canadian view of what is wrong and what is right with





1 the Canadian freight rates structure.

2 A. In general terms. Some people have.

3 Q. Subject to the study they have made of the  
4 structure?

5 A. Yes.

6 Q. And you would certainly say that if the  
7 movement of grain results in a deficit which other shippers  
8 must bear that the other deficit traffics also must be  
9 borne by the shippers?

10 A. Yes, that is so.

11 Q. You would not be too surprised if I told  
12 you that the amount which the Canadian Pacific, for in-  
13 stance, is claiming as the deficit on grain is about  
14 \$30 million to \$35 million a year and that one of the  
15 railways loses much more than that in its passenger  
16 operation in a year? That would not surprise you to  
17 look at those two figures and compare them?

18 A. No.

19 Q. If passenger deficits are there, then they  
20 must be picked up by the freight part of the structure?

21 A. With reservations, I will say yes.

22 Q. Do you know any other place where they are  
23 picked up except by the freight shipment in some form or  
24 other?

25 A. In view of our thought that the railways  
26 should be self-sufficient, they would have to be picked  
27 up from other shippers.

28 Q. I mean, as of now? You have made the  
29 point that the deficit on grain -- which for the sake  
30







1 of this discussion I am assuming with you that that is  
2 made up by the other freight shippers?

3 A. Yes.

4 Q. And the loss suffered in the commuter  
5 services and in the passenger operations generally  
6 must be made up by the freight shippers?

7 A. Yes.

8 Q. On the unprofitable branch lines -- there  
9 is no place else to go for revenue to make that up except  
10 to the freight shipments?

11 A. That is right.

12 Q. So it is not only the grain traffic that  
13 is a burden on the other shippers?

14 A. No, there are other factors.

15 Q. You referred to it as the most glaring  
16 inequity, and having said that you got the information  
17 from the press reports and from some consultation with  
18 the railways, I was wondering -- and I do not want to be  
19 facetious -- if the glare was not the reflection of the  
20 headlines in the newspaper?

21 A. That is where most of our information came  
22 from.

23 Q. Well, you are very frank with us. Thank  
24 you very much. You would say that in the Niagara Penin-  
25 sula there is a good deal of competition to the rail ser-  
26 vice?

27 A. Yes.

28 Q. And it follows from that that the shippers  
29 in the Niagara Peninsula, either the shippers or the  
30







1 shippers, have not paid the full 157 per cent of in-  
2 creases that have been authorized by the Transport Board  
3 since 1948?

4 A. Yes, I would say they have.

5 Q. Would you say they have paid the competitive  
6 rates and the agreed charges which flourish in the Niagara  
7 Peninsula? You would say they have all taken each and  
8 every one of the authorized increases?

9 A. No.

10 Q. I did not think you meant that. That is  
11 why I say the shippers and receivers in your part of  
12 Canada have not taken the full burden of these horizontal  
13 percentage increases, which since the war have reached  
14 the cumulative amount of 157 per cent. That is what I  
15 am putting to you.

16 A. I would say on general principles that  
17 they have taken those increases. They have been subjected  
18 to them because where a rail service has not been satis-  
19 factory they go to trucks, and the trucks have taken the  
20 same percentage increases, not in the same scale, but they  
21 are on the same level.

22 Q. You say you have gone to trucks. That  
23 is more or less in another world. I am talking about  
24 whether or not the shippers in your area have had to take  
25 the full burden of all the authorized increases which the  
26 Transport Board has put on the Canadian freight rates  
27 structure since 1948?

28 A. Yes.

29 Q. You would say they have? Did you know,  
30





1 Mr. Clarke, what the anticipated -- were you aware that  
2 when the railways went to the Transport Board in October  
3 1958 seeking a 19 per cent increase, that they placed  
4 before that Board a statement which indicated that they  
5 expected to take, they were compelled to take, 73 per  
6 cent of that increase which they were seeking from 32 per  
7 cent of the rail revenue? Were you aware of this  
8 spread in the figures?  
9

10 A. No, I was not.

11 Q. Did you know that is why the provinces  
12 went to the federal government, by way of appeal from  
13 that 73 per cent increase?

14 A. Yes.

15 Q. Because of the distortion, what we thought  
16 of the idea that we would have to take 73 per cent of  
17 the increase from 32 per cent of the revenue. WERE  
18 you aware of the implications of that suggestion?

19 A. I never thought of it that way.

20 Q. That is why I put it to you. The facts  
21 will speak for themselves. It is because of that that  
22 I put it to you that people who operate chiefly on  
23 competitive rates or agreed charges simply have not  
24 taken the full burden of the 157 per cent that has been  
25 authorized by the Board. That is why I put it to you,  
26 because, you see, it is a matter of record that agreed  
27 charges as of today have not taken the full impact of  
28 the increases authorized by the Board?

29 A. That is true, but the agreed charges have  
30 been necessitated by other competition.







1 Q. No question about that at all. I am not  
2 discussing whether they are good, bad or indifferent.  
3 They are here. They are one of the economic facts of  
4 Canadian transportation.  
5

6 A. I think what you are trying to ask me to  
7 tell you is that the full increase has not been paid by  
8 companies in St. Catharines, as an example, that the full  
9 rate increases have not been paid. I think they have.

10 Q. The full rail increases have not been paid.  
11 I am trying to discuss with you some of the other inequi-  
12 ties in the Canadian freight rates structure besides the  
13 grain, which for the sake of this discussion I am assuming  
14 that it is. That is why I put it to you that, if there  
15 are other inequities, you are not simply going to dig in  
16 and say, "No, all the grain"?

17 A. No.

18 Q. You are taking, as I supposed -- you are  
19 trying to take just as broadminded a view of this  
20 Canadian freight rates structure as anyone else in  
21 Canada. That is true, isn't it?

22 A. Yes.

23 Q. Speaking of other inequities, let me just  
24 compare a few rates for you, not very many. I won't  
25 burden you with any more than four or five rates which  
26 indicate some imbalance in the Canadian freight rates  
27 structure. Would you just contemplate for me for a  
28 moment, Mr. Clarke, a rate? By the way, it has been  
29 established, I think, that the revenue which the railways  
30 get from moving grain in Western Canada to export





1 positions at Fort William or Vancouver, roughly speaking,  
2 has worked out at about .5 cents per ton mile -- half a  
3 cent per ton mile. Would you contemplate with me a  
4 couple of rates like a rate on calcium silicon from  
5 Welland to Sydney, which returns .732 cents per ton  
6 mile, and a rate on gas meters from Milton, Ontario, to  
7 Edmonton, which returns 6.2 cents per ton mile? Would  
8 you not think that the receiver in Edmonton contemplating  
9 the Canadian freight rates structure would think, "Well,  
10 now, I am certainly contributing when I bring gas meters  
11 out from Ontario, I am contributing disproportionately  
12 to the overhead of these railways"?

14 A. No.

15 Q. You would not think he would have any  
16 right to think that?

17 A. No. You are talking about two different  
18 commodities. A gas meter is a highly valuable object,  
19 whereas the calcium is a bulk commodity. The  
20 of handling has a great bearing on the freight rate  
21 structure, and the type of equipment used for it. We  
22 all know that merchandise of value is a prerequisite of  
23 a freight rate structure.

24 Q. You are certainly an adherent of the  
25 value of service principle, and you say, "Let us apply  
26 the value of service principle regardless of how it  
27 works out"?

28 A. That is kind of a fast ball.

29 THE CHAIRMAN: I think the witness is very  
30 frank and very honest, but the witness is not an expert







1 on that.

2 MR. FRAWLEY: Q. No, I am not expecting  
3 him to be an expert. I am just discussing with him  
4 whether or not you say -- because what you told me --  
5 there is no doubt about it at all -- the value of service  
6 is there.

7 Aluminum gas meters move out to Edmonton on  
8 a straight class rate, and you know the difference be-  
9 tween a class rate and an agreed charge, or a non-com-  
10 petitive commodity rate, or a competitive rate. You are  
11 a traffic man yourself, aren't you?

12 A. Yes.







1 G. So you know that when anything moves out  
2 to Edmonton from Milton, Ontario, a thing that is needed  
3 in the gas province is an aluminum gas meter, and it  
4 moves out under CFC 20 at \$6.48 a hundred, and that is  
5 because that is a piece of captive traffic to the rail-  
6 ways that for some reason or other you say the value of  
7 service principle is applied one hundred per cent?

8 A. No, because they could move it by pool  
9 truck at a lower rate.

10 Q. I am telling you that it moves out under  
11 CFC 20 at \$6.48 and returns 6.285 cents a ton mile, a  
12 distance of 2,062 miles. If you don't think that that  
13 is a high return per ton mile for that haul I am a bit  
14 surprised.

15 A. Well, we don't get a rate out of CFC 20.

16 Q. It goes on the classification; it is  
17 the highest rate on the book.

18 A. If I were shipping out of Milton I pro-  
19 bably wouldn't go on the railway.

20 Q. All I am saying is that this is a rate  
21 taken out on my instructions. You realize that gas is  
22 produced in Alberta?

23 A. Yes.

24 Q. And it is being kept there, apparently,  
25 at the moment. So I am simply putting it to you that  
26 when you look at some of these rates, when you have a  
27 rate on gas meters which returns 6.2 cents on a 2,000-  
28 mile haul, and you have another 2,000-mile haul which  
29 returns 2 cents per ton mile on agricultural implements,  
30





1 and then you look at the rates which move grain to  
2 Halifax and the rates which move grain from the lower  
3 bay ports to Halifax for export, and then you come down  
4 to a cent a ton mile, I am only saying does that not  
5 look like something that some people in Canada regard  
6 in this structure as being pretty badly out of balance?

7  
8 A. No, I still can't concede.

9 Q. You won't concede it?

10 A. No, I won't say I won't, but you are talk-  
11 ing about two different products.

12 Q. Did you ever give any thought to the  
13 disproportionate cost to revenue which the various rate  
14 structures make? As far as St. Catharines Chamber of  
15 Commerce is concerned, that can go on, it shouldn't  
16 receive the attention of this Commission at all?

17 A. No, I didn't say that. I am only saying  
18 that you should look at the same kind of commodity in  
19 order to get your disproportionate figure.

20 Q. All I am saying is that the traffic that  
21 is carried on class rates contributes much, much more  
22 to total cost than the traffic that is carried at  
23 agreed charges or non-competitive commodity rates, and  
24 some people think that is a distortion of the Canadian  
25 freight rates structure, but you don't think so?

26 A. No, not putting it that way.

27 Q. Now, I want to ask you again at the risk  
28 of discussing with you what Mr. Mauro discussed with  
29 you. I simply put it to you that at the moment the  
30 classification of accounts prescribed by the Board of







1 Transport Commissioners prescribe that the profits or  
2 the losses from Smith Transport, from the operations of  
3 Smith Transport, are not taken into account, neither  
4 the profits nor the losses are taken into account for  
5 rail revenue in relation to the application of freight  
6 rate increases, and that being so, and this Commission  
7 being sent out by the Governor in Council to make recom-  
8 mendations as to the freight rates structure, I say to  
9 you, assume with me that it lies in the powers of these  
10 Commissioners to recommend changes in the Canadian freight  
11 rate classification, would you still say that the profits  
12 or the losses of Smith Transport should not be taken  
13 into account, either profits or losses, in arriving at  
14 the Canadian Pacific Railway Company's revenues for  
15 rate-making purposes?

16 A. Yes.

17 Q. And would you say, whether they are owned  
18 by the railway or not, whether they are performing trans-  
19 portation functions, that their profits and losses  
20 should not be taken into account?

21 A. Yes.

22 Q. I was interested in your saying that you  
23 didn't favour the regulation of trucks. Now, what I am  
24 confused about is that you told my friend Mr. Hume after  
25 that that you thought that the franchise system should  
26 remain. What is that but regulation of trucks? Would  
27 you mean clarifying again what you say about regulation  
28 or non-regulation of trucks?

29 A. Regulation of trucks as far as being  
30





1 governed by the Board of Transport Commissioners I don't  
2 think is something we want. But if a trucking company  
3 -- or, rather, if the railway discontinues an unprofitable  
4 line and substitutes a truck service or bus service for  
5 that line, then the truck line should be governed or  
6 the trucking company should be governed by the railway  
7 regulations, as it is associated with the railway.  
8

9 Q. When you said that you did not think that  
10 the trucks should be regulated, did you mean they should  
11 not be regulated by the federal Board of Transport Com-  
12 missioners?

13 A. Yes.

14 Q. You don't want any federal motor carrier  
15 board?

16 A. No.

17 Q. And that is what you meant when you said  
18 that?

19 A. Yes.

20 Q. But you favour this business of making a  
21 trucker prove a need, that it is necessary, before moving  
22 on the highway?

23 MR. FRAWLEY: Thank you, Mr. Clarke.

24 THE CHAIRMAN: Mr. McDonald?

25 MR. McDONALD: Thank you, Mr. Chairman.

26 CROSS-EXAMINATION BY MR. McDONALD:

27 Q. Mr. Clarke, my name is A. D. McDonald and  
28 I represent Canadian National Railways.

29 In the first place, I may say that we agree with  
30







1 the majority of the recommendations contained in your  
2 brief, and I think you have done a very excellent job in  
3 presenting it to this Commission.

4 Now, dealing with your statement regarding the  
5 most glaring inequity in the freight rate structure is  
6 the retention of the statutory rates on grain, the  
7 Canadian National Railways wholeheartedly agrees with  
8 that statement, but I want to take you along this way.  
9 Those rates are fixed by statute, as you know, and the  
10 railways are not at liberty to vary them in any way?

11 A. Yes.

12 Q. And yet you also note that the railways  
13 are compelled to handle this traffic. Would you agree  
14 with me that you know of no other instance of any com-  
15 pany or individual performing the service they do today  
16 at the same rate they did it in 1899?

17 A. I would say that is correct.

18 Q. So on the face of it there is something  
19 wrong with those rates?

20 A. Yes.

21 Q. On the inequity, this is an inequity in  
22 the freight rate structure imposed by statute. It is  
23 different to what Mr. Mauro and Mr. Frawley have been  
24 talking about?

25 A. Yes.

26 Q. It is the only one imposed by statute?

27 A. Yes.

28 Q. This is the only rate that is fixed by  
29 statute?  
30







1 A. Yes, so far as I know.

2 Q. Which makes it different from all of those  
3 matters that counsel have been referring to?

4 A. Yes.

5 MR. McDONALD: That is all. Thank you, Mr.  
6 Chairman.

7 THE CHAIRMAN: Mr. Sinclair?

8  
9 CROSS-EXAMINATION BY MR. SINCLAIR:

10 Q. My name is Ian Sinclair, and I represent  
11 Canadian Pacific.

12 In answer to my friend Mr. Cumming in dealing  
13 with truck rates you said that you thought they should  
14 be published, that truck rates should be published. By  
15 that you meant, I take it, that there should be a  
16 requirement in law that all truck rates, including con-  
17 tract truck rates, should be published. Is that  
18 correct?

19 A. No, I don't recall saying that. Did I  
20 say that?

21 Q. You said that truck rates should be pub-  
22 lished. You were opposed to regulation of truck rates  
23 but you would think their rates should be published.  
24 Let me ask you the direct question. As a traffic man  
25 and as a person who has to deal with traffic problems  
26 and traffic rates, would you not agree that truck  
27 rates should be published and available and open to  
28 all shippers?

29 A. First of all, they are. You deal only  
30 with ---





1 Q. They may be in this province, but they  
2 may not be in other provinces.

3 A. I think they should be published.

4 Q. And in saying that you would agree that,  
5 like the railways they should be required to publish  
6 and have available for anybody else to look at then,  
7 not only their normal rates, competitive rates, but  
8 their contract rates, just like the railways have to do?  
9

10 A. I might have to say no to the contract  
11 rates.

12 Q. Would you tell the Commission why?

13 A. Because it discloses to our competitors  
14 any advantage that we may have.

15 Q. In other words, if you are able to make a  
16 deal that is beneficial to you you don't think that with  
17 the trucking organization, common carrier trucker, that  
18 should be available, open to scrutiny by anybody?

19 A. I have to say they should not be.

20 Q. Do you think that the railway agreed  
21 charges should be published?

22 A. You have me going two ways there: on the  
23 one hand I am saying no to contract rates being published,  
24 and yet I agree that agreed charges should be published.

25 Q. In so far as truck rates are published,  
26 Mr. Clarke, you would agree, I take it, that a penalty  
27 should be included in the legislation so that if the  
28 published rates are not adhered to a penalty should be  
29 imposed upon the carrier who departs from those rates,  
30 just as the railways have such penalty imposed on them







1 if they depart from the established rate?

2 A. Yes, if the truck rate and all the class  
3 rates are published, if there is a departure from them  
4 they should be penalized.

5 Q. And the legislation should so provide  
6 that sets up a general filing with the provincial board  
7 or making it available whatever it may be?

8 A. If I say yes to that I acknowledge the  
9 fact that a regulatory body should be set up for trucks,  
10 which we have consistently opposed.  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 Q. You have a regulatory body for trucks in  
2 Ontario, have you not?

3 A. The Ontario Motor Vehicle Board, yes.  
4 I do not believe it covers rates; it is more an applica-  
5 tion of licences.

6 Q. But in so far as rates are concerned and  
7 are filed, my question to you, and we want your views for  
8 the Commission, is that these truck rates when they  
9 are required to be published, I suggest they should also  
10 contain a penalty for non-compliance and I think ---

11 MR. HUME: Mr. Chairman, in case we  
12 are under a misunderstanding, there is no filing of  
13 truck rates in Ontario. Mr. Clarke said there was, but  
14 there is in fact no regulation in this province and I  
15 thought the Commission would like to be informed.

16 MR. SINCLAIR: Thank you, Mr. Hume.

17 THE WITNESS: Well, then, there would be no  
18 regulatory body; there cannot be any penalty other than  
19 exercised by the trucking industry itself and the ATA --  
20 perhaps Mr. Goodman could answer the question, but I  
21 do not believe there is any penalty on ATA members for  
22 violating a published rate.

23 MR. SINCLAIR: Q. I am asking you as a  
24 traffic man, do you not think that should be so? In  
25 other words, if a person is a carrier by truck he should  
26 not be able to make a deal away from the published rate  
27 and get away with that without being penalized?

28 A. I agree there, yes.

29 Q. Now, my friend Mr. Mauro asked you a number  
30





1 of questions about fully distributed costs, variable  
2 costs, factors over variable costs as applied to grain  
3 and as applied to other traffic. I suggest to you that  
4 as a traffic man and an experienced one at that, as I  
5 know, that what you are saying to this Commission is  
6 that all segments of traffic should move on just and  
7 reasonable rates?

8 MR. FRAWLEY: That is not what he said. Stop  
9 putting these technical expressions "just and reasonable  
10 rates" into the witness' mouth. It is just not right.

11 THE CHAIRMAN: I think we can ask the witness  
12 to answer that question.

13 THE WITNESS: Yes.

14 MR. SINCLAIR: Q. Thank you, Mr. Clarke.  
15 And what is a just and reasonable rate must take into  
16 account all circumstances involved in a movement of the  
17 traffic and the traffic itself; that is correct, is it  
18 not?

19 A. Yes.

20 Q. And one of these factors, and I think you  
21 have made this clear, in fixing a rate level at a just  
22 and reasonable level would be where competition did exist?

23 A. Definitely.

24 Q. And as long as the rate, the railway rate  
25 made this variable cost and made some contribution to  
26 constant cost or, put it another way, that the railways  
27 would be worse off if they forego the traffic than ---  
28

29 THE CHAIRMAN: I do not know, Mr. Sinclair,  
30 where we are getting to now. The witness did not know







1 what distributed cost was and I doubt whether he knows  
2 about constant cost.

3 MR. FRAWLEY: Mr. Sinclair is using the wit-  
4 ness as a sounding board to put a lot of things on the  
5 record and in the newspapers.

6 MR. SINCLAIR: Mr. Sinclair has a duty to the  
7 Commission to assist them and if he is not doing so the  
8 Commission will tell him. I do not have to rely on my  
9 friend.

10 THE CHAIRMAN: Does Mr. Clarke understand what  
11 the meaning of constant cost is?

12 THE WITNESS: Yes, there is no problem there.

13 THE CHAIRMAN: Now, if you understand the  
14 terms that are being used by Mr. Sinclair, well and good.  
15 If you do not, then you cannot very well be asked to give  
16 evidence on it.

17 THE WITNESS: I think I have already made a  
18 statement that unless I have some figures in front of me  
19 I cannot very well answer on costs on variable cost  
20 without knowing what is included in it because you have  
21 so very many things in these different costs and I do  
22 not think it is fair to get me to say a variable cost is  
23 a method of arriving at a freight rate.

24 Q. Let me put it this way, and I think the  
25 witness can answer this: if in fact by fixing a rate  
26 level railway revenues are improved, that is net railway  
27 revenues are improved, as a traffic man you would agree  
28 that the railways should so fix that rate if that was  
29 the maximum rate that could be secured to move the  
30





1 traffic?

2 A. Yes.

3 Q. Have you no equivocation on that at all?

4 MR. FRAWLEY: No what?

5 MR. SINCLAIR: Q. You are not indefinite  
6 about that at all?

7 MR. FRAWLEY: Why suspect he is?

8 MR. SINCLAIR: Q. I wonder if my friend  
9 would allow me -- I think I can ask the witness questions.  
10 You have no doubt about this at all?

11 A. The statement you made?

12 Q. That is right.

13 A. None at all.

14 Q. Now, my friend put to you canned goods --  
15 I think this was Mr. Mauro from Manitoba -- put to you  
16 canned goods rates from Toronto to Vancouver, 60,000  
17 pounds minimum, and I think the figure was \$1.82 a  
18 hundred and Winnipeg to Vancouver on a somewhat higher  
19 basis?

20 MR. MAURO: \$1.95.

21 MR. SINCLAIR: Thank you, Mr. Mauro.

22 Q. Now, Mr. Clarke, if the rate from Toronto  
23 to Vancouver was fixed at a level to enable the railways  
24 to get the traffic in light of competition by the Panama  
25 Canal or by American routes and that rate improved the  
26 net position of the railways and if they did not quote  
27 that rate they would not get the traffic, you would not  
28 object to that rate as a traffic man, would you?

29 A. No.

30







1 Q. Even though a rate from another place  
2 intermediate might be at a higher basis?

3 A. I still have no objection to it if it is  
4 the competitive feature that brought that about.

5 Q. Now, my friend Mr. Frawley dealt with  
6 what he called deficit areas other than grain and one  
7 of those was the passenger deficit and the other one was  
8 the branch line deficit. Now, I would ask you as a  
9 traffic man if the deficit on a branch line or a large  
10 series of branch lines, the traffic moving over them  
11 was very largely grain, say something over 75 per cent  
12 of the traffic movement over these branch lines was  
13 grain, and if in point of fact the grain rates were on  
14 a just and reasonable level, those branch lines would  
15 not be in a deficit position, would you agree with me it  
16 would be wrong to look upon that as a branch line  
17 deficit rather than a grain deficit?

18 A. I think it would be a grain deficit.

19 Q. In respect to passenger traffic, if the  
20 railways have passenger deficits and if their policy is  
21 to move out of areas of passenger service which cannot  
22 be put on a profitable basis because of other means of  
23 transportation -- cars, if you like, buses, aeroplanes --  
24 as a traffic man it would be your view that the railways  
25 should be assisted in doing so. Is that not so? They  
26 should be assisted in the passenger service on a basis  
27 so it can stand on its own feet, passenger traffic should  
28 stand on its own feet, and if they cannot and there are  
29 other modes of transportation available that the public  
30





1 prefers it would be your position that the railways  
2 should be ---

3 MR. FRAWLEY: Say "would" -- don't put the  
4 answer right in his mouth. Surely, MR. Chairman ---

5 MR. SINCLAIR: Mr. Chairman, I have been asking  
6 witnesses questions for quite a long time and I have  
7 never met anyone so sensitive to the way I ask questions  
8 as my friends Mr. Frawley and Mr. Mauro.

9 THE CHAIRMAN: There is always the difficulty  
10 in these hearings as to how much counsel can lead but I  
11 think that really you are in a position of cross-examining  
12 at the moment ---

13 MR. SINCLAIR: I thought so.

14 THE CHAIRMAN: That being the position then  
15 you can ask the question.

16 MR. SINCLAIR: Q. Do you remember the ques-  
17 tion?

18 A. I suggested previously that if the pas-  
19 senger line was, or any other small line, was not paying  
20 its way then some other mode of transportation should  
21 replace that.

22 Q. My suggestion to you, following along from  
23 that, where these conditions do exist it would be your  
24 position that the railway should be assisted in  
25 eliminating the passenger service or the branch line,  
26 if you will, and that would be your position that they  
27 should be assisted?

28 A. Or subsidized -- the same thing.

29 Q. Well, if they were to be subsidized I want  
30







1 to know. That is the exact point I wanted to come to.  
2 If passenger train service was not required because  
3 there was alternative means of transportation provided  
4 -- cars, buses, aeroplanes -- it is not your suggestion  
5 that that should be subsidized, is it, just to keep  
6 it there?

7  
8 A. In some areas there has to be a subsidy  
9 to maintain a rail service.

10 Q. Well, you are thinking of areas, are you,  
11 where other modes of transportation are not available?

12 A. No, where other modes of transportation  
13 are available as well.

14 Q. But would those instances be where the  
15 other modes do not meet the public requirements?

16 A. Yes. For one, we might think of any  
17 northern route where at the present time you may be  
18 flying people in at perhaps a great deal more cost but it  
19 is a lot faster.

20 Q. Let me give you an example, for instance,  
21 where there is an established highway system -- there is  
22 an established highway system and people have cars or  
23 there are buses, and those kind of things. You would  
24 not suggest that the rail service should be maintained, if  
25 it cannot pay its way, by subsidy?

26 A. We have recommended that inefficient or  
27 expensive operation should be replaced by some other mode  
28 of transportation but in the interests of Canada as a  
29 whole I will have to retract that a little bit because  
30 we cannot continue to dissolve these unpaying lines, so







1 that is what I mean, you have to subsidize one way or  
2 another.

3 Q. Now, if a passenger service was serving  
4 a local rather than a national, and it was not paying  
5 its way, you would agree, would you not, that in that  
6 case the subsidy should be from the local authority  
7 rather than the federal authority?  
8

9 A. No, that again goes contrary to what we  
10 have suggested in our brief.

11 Q. It does?

12 A. Yes.

13 Q. I am suggesting that where there is not  
14 an overall requirement in the national interest that the  
15 interest that is being served is local alone, then in  
16 that case I am suggesting to you if a subsidy is to be  
17 supplied it should be supplied by a local authority, for  
18 instance, the province.  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 A. Well, yes, I will have to go along with  
2 that in view of the local aspect of the thing.

3 COMMISSIONER BALCH: Would you include com-  
4 muter service in that, Mr. Sinclair?

5 MR. SINCLAIR: Yes, very definitely, Mr. Balch.

6 Q. In that question to you, Mr. Clark, I  
7 would include local commuter services: you understood  
8 that?

9 A. Yes.

10 Q. Mr. Clarke, you said that you talked this  
11 over with the railway people, and in view of the fact you  
12 are served, unfortunately, only by the Canadian National,  
13 had you discussed it with the Canadian Pacific people  
14 as well as the C.N.R.?

15 A. No.

16 Q. Then, I would say this to you, that even  
17 though Canadian Pacific does not serve St. Catharines,  
18 we do feel, and I wish to say on behalf of the company,  
19 that I think your traffic men have presented to this  
20 Commission a more thoughtful brief than we have received  
21 in a number of other places.

22 MR. FRAWLEY: Just for my information, does  
23 not the Toronto, Hamilton and Buffalo Railway run through  
24 St. Catharines?

25 THE WITNESS: No, it runs through Welland, 13  
26 miles away.

27  
28 BY COMMISSIONER BALCH:

29 Q. Does the N.C. & T. service there?

30 A. Yes.







1                   Q.    You mentioned in paragraph 8 the re-  
2 institution of the lcl tracing system: you request  
3 that?

4                   A.    They used to be able to give position  
5 records, but they can't now.

6                   Q.    They haven't replaced that by a different  
7 system?

8                   A.    Yes, I understand there is one on the way,  
9 an IBM system which eventually will give us that infor-  
10 mation, but I understand that is some time away.

11                  Q.    You mention in paragraph 9, "A campaign  
12 to improve employee morale": what employee do you refer  
13 to there?    Is it the switching crews, or the train  
14 crews, or the office staff?

15                  A.    Well, it is all of them.

16                  MR. SINCLAIR:   Including the Law Department?

17                  THE WITNESS:    I haven't had any experience  
18 with them.

19                  COMMISSIONER BALCH:   Q.    You also speak of  
20 filling top operational jobs from within the organiza-  
21 tion rather than from outside sources: you did mention  
22 that you had had a discussion with various officers of  
23 the railroads.    Did you mention that to them at that  
24 time?

25                  A.    Yes.

26                  Q.    Would you want to tell me the reaction.

27                  A.    They were in favour of it because the  
28 majority of railway people who reach the top come up  
29 from working through the various stages, and it would  
30





1 seem to me that a knowledge of railway operations can  
2 best be gained by having passed from despatcher, or  
3 whatever it may be, to an operating job. So, that is  
4 why I make that statement. On the theory of operation,  
5 the university man is perhaps more qualified, but on  
6 the actual operation a man who has passed through the  
7 jobs, I think, is the man who should aspire to the top  
8 operating jobs.  
9

10 Q. In paragraph 13 you mention the instal-  
11 lation of two-way radio in switching, and you mentioned  
12 the N.C. & T. does service you?

13 A. Yes.

14 Q. Are you aware, since you prepared this,  
15 that that is definitely going to be put into effect?

16 A. Yes, I even had the cost of each one.

17 BY COMMISSIONER GOBEIL:

18 Q. Mr. Clarke, in paragraph 4 you suggest  
19 that the railways be allowed more freedom, and then you  
20 supplement it by saying that if they find it more  
21 economical they should be permitted to substitute trucks  
22 for trains: this would apply to passenger too?

23 A. Yes.

24 Q. Let us assume that this Commission will go  
25 your way, and then, I am thinking of somewhere in the  
26 Province of Quebec, say, Chicoutimi to Quebec City,  
27 where the freight is not good there and the passenger  
28 still worse, so the railway could stand a truck busi-  
29 ness -- establish a truck division or bus division?  
30

A. That would be our thought, except for that







1 particular area where I don't think even the bus or truck  
2 would take the place of, let us say, a dayliner, which  
3 perhaps should be put on. Maybe there is a dayliner  
4 between Chicoutimi and Quebec City?

5 Q. No.

6 A. Well, there is an opportunity where both  
7 a passenger-freight type of vehicle could serve the  
8 need.

9 Q. But you would suspect there would be cases  
10 when it would be more advantageous, if they have more  
11 freedom, to establish a truck or bus business?

12 A. Yes -- I am not stating that the railways  
13 should, where a new area is opened up, go into the truck  
14 business. But, where the railways have an established  
15 railway line which is unprofitable, our feeling is that  
16 they should be able, quite readily and freely, to put  
17 trucks in place of the railway.

18 Q. Suppose in a case like that, instead of  
19 putting trucks and competing with local organizations,  
20 that they buy that local organization? They could do  
21 that too?

22 A. Yes.

23 Q. And if they buy something which is called  
24 a truck transport, which is well established, incorporated  
25 or limited, if instead of establishing their own service  
26 they buy, from then on that transport will not be  
27 included in their revenue?

28 A. Yes.

29 Q. Well, according to your paragraph 15 ---  
30







1 A. No. If a truck line is substituted for  
2 an existing rail line, our thought is that the truck  
3 line's revenue should be part of the railway revenue  
4 and not a separate entity, and yet, I state that an  
5 entirely different organization, such as Consolidated  
6 Mining and Smelting, should not be included in the rate  
7 structure of the railway.

8 Q. But if they find that instead of estab-  
9 lishing a truck line that there are more advantages  
10 to buying an existing one, then the new company that  
11 they buy would be considered as part of the revenue?

12 A. Yes, as long as there is an existing  
13 rail line at the present time. But, in support of the  
14 trucks, I do not feel that the railways should, because  
15 they have a lot of money behind them, establish an  
16 opposition to an existing truck line. If the railways  
17 find their line is uneconomic, then every means should be  
18 sought to buy an existing truck line between the two  
19 communities at a price that is within reason.

20 THE CHAIRMAN: To buy or to use?

21 THE WITNESS: Yes, right.

22 COMMISSIONER GOBEIL: Q. That truck line  
23 which they would buy -- what would be the difference be-  
24 tween a little one and a big one like Smith Transport?

25 A. I see no difference between a truck line  
26 in the situation you have outlined.

27 Q. You mentioned this morning that Smith  
28 Transport should be kept separate for revenue purposes?

29 A. That is right, because Smith -- we are  
30





1 talking about two different branches of Smith Transport,  
2 and I would like to have that clarified before I could  
3 answer you. Is there not a Smith Transport purchased  
4 by the Canadian Pacific, and there is an H. Smith Trans-  
5 port that were one and the same thing?  
6

7 Q. I mean the one that is the Canadian  
8 Pacific now.

9 A. Well, then, if the -- no: there is a case  
10 that brings my point. Smith Transport are national --  
11 I don't know whether they go out to the west, but they  
12 are certainly in Ontario and Quebec, and compete with  
13 existing truck lines. Therefore, Smith Transport's  
14 revenue cannot be part of the Canadian Pacific revenue,  
15 but any portion of Smith Transport route that replaces  
16 an existing rail route should be part of the railway  
17 revenue.

18 Q. That might make it complicated.

19 A. I don't think so.

20 BY COMMISSIONER ANSCOMB:

21 Q. I am not quite clear about something you  
22 just said, but I understood you to say you do not think  
23 a railway should be allowed to start a competing truck  
24 line along a route that some other truck line is operating  
25 on. Let us assume the C.P.R. was along one hundred  
26 miles and there was a truck line there now: do you  
27 suggest the C.P.R. should not be allowed to start  
28 another truck line there?

29 A. I wasn't thinking of the C.P.R.

30 Q. Well, any railway -- the C.N.R.; I don't









1 care.

2  
3 A. I think it would be unfair for an estab-  
4 lished truck line -- maybe he is only a small operator --  
5 to have the money that the railways have behind them in  
6 opposition to him. In other words, starting up another  
7 truck line with a great deal of capital behind them in  
8 opposition to a route he has already been granted a  
9 licence over. In the public interest, then, the  
10 Canadian Pacific should attempt to buy that truck line.

11 Q. Why not look at it the other way round?  
12 It is all right to say they have got unlimited money  
13 behind them, but, the Canadian National, the only money  
14 they have is you and I and our friends here. Why  
15 not take the view they should not have been allowed  
16 to start in the first place to compete with the railway?  
17 You are taking the opposite view. Everybody is small  
18 to start with.

19 A. There are two factors there, and one of  
20 them is that competition is good for business. Second-  
21 ly, you can't restrain any business from starting; that  
22 is restrict of trade, isn't it -- to say, "You can't  
23 have a truck line because there is already a rail line  
24 in there". That, I think, would be unfair.

25 THE CHAIRMAN: Thank you, Mr. Clarke and  
26 gentlemen.

27 ---Luncheon adjournment.  
28  
29  
30





---On resuming at 2.00 p.m.

SUBMISSION OF  
THE GOVERNMENT OF THE PROVINCE OF  
ONTARIO

Appearances:

|                            |                                 |
|----------------------------|---------------------------------|
| Hon. Leslie M. Frost, Q.C. | Premier of Ontario              |
| George Gathercole          | Deputy Minister of<br>Economics |
| Prof. John L. McDougall    | Queens University               |
| Frank V. Turville, Q.C.    | Counsel                         |

- - - - -

THE CHAIRMAN: Mr. Frost, we are most delighted as a Commission that you have agreed to come here. This is the first time, I think, in the history of the Province of Ontario, or in the Dominion of Canada, that a government has made and submitted a presentation to a Royal Commission on Transportation, and I can assure you that we welcome it most sincerely, and we welcome you to the Commission and will be glad now to hear from you.

MR. FROST: Mr. Chairman -- Mr. MacPherson, may I put it that way -- and gentlemen of the Commission coming from various provinces of Canada, I may say that it is a great pleasure to welcome you here to Ontario, even if you do not need any welcome. Mr. Chairman, it is true that this is the first submission, I think, the Government of Canada has made to a transportation commission.







1                   Traditionally this province and at least one  
2 of the others has remained aloof. I am not so sure,  
3 Mr. MacPherson, that we should not have remained aloof  
4 on this occasion.

5                   THE CHAIRMAN: We disagree.

6                   MR. FROST: May I say that of course the  
7 reasoning behind that was that traditionally this is a  
8 federal commission and traditionally we have felt that  
9 the Province of Ontario had enough to do looking after  
10 its own business without getting into an area that is  
11 federal. Mr. Anscomb, you have heard all those argu-  
12 ments before on a different occasion, and I think they  
13 were as valid then as they are today -- and the federal  
14 government conversely should look after its own busi-  
15 ness. That is why that practice has been followed  
16 traditionally, long before my time.

17                   Now, I would say to you, Mr. Chairman, that  
18 your predecessor in the chair, Mr. McTague, a gentleman  
19 of great eloquence and personality, persuaded us, per-  
20 suaded me, that we should depart from that traditional  
21 attitude, and consequently, as a result of his words, I  
22 am here this afternoon.

23                   THE CHAIRMAN: May I interrupt you, Mr. Frost,  
24 to say that we are so glad that my predecessor did con-  
25 vince you and persuade you, and our only regret -- and it  
26 is a very sincere one on the part of all of us -- is that  
27 owing to illness he had to give up the post of Chairman  
28 of this Commission. There is no one who regretted it  
29 more than I do, and there is no one who wishes him  
30







1 complete recovery and good health more than all of us.

2 MR. FROST: I have no doubt, sir, that you,  
3 with your eloquence and personality, would likewise have  
4 persuaded me.

5 Now, sir, this submission, which as a matter of  
6 fact is very general in terms, will be presented by Mr.  
7 George Gathercole, the Deputy Minister of Economics, and  
8 he will be supported by Professor McDougall of Queens  
9 University, who has a great deal of knowledge in these  
10 matters. He will further be supported by Mr. Frank  
11 Turville, Q.C., who will act as counsel for the province.

12 Now, sir, I think this is our position, Mr.  
13 Gathercole, that we are taking a particularly dogmatic  
14 attitude, is that not right?

15 MR. GATHERCOLE: That is right.

16 MR. FROST: We are taking a dogmatic attitude.  
17 Ontario is a large province. It is about a thousand  
18 miles from our good neighbours in the east in Quebec to  
19 the Province of Manitoba. We front, across the border,  
20 that is, on eight American states, which gives you some  
21 idea of the diversity which we face in this province,  
22 the different conditions that we face in this province.  
23 You are going to hear viewpoints, I have no doubt, from  
24 various interests in this province who, of course, are  
25 looking after their own particular areas, and that is  
26 natural -- and these are going to be different. Those  
27 in southwestern Ontario, the Windsor area, of course,  
28 have their own very important viewpoint; that is true of  
29 those from the lakehead, Fort William and northwestern  
30





1 Ontario, who have their own particular viewpoint. I do  
2 not know whether any of the northwestern Ontario people  
3 are here today, but in any event your Commission -- I  
4 think, very wisely -- determined to sit at the lakehead,  
5 at Port Arthur, and there you will get the viewpoint  
6 of a very important part of our country and a very  
7 important part of this province. Now, I would say to  
8 you, sir, that although I mentioned those two places  
9 there are others, the City of Toronto, where the Board  
10 of Trade and others will be presenting their viewpoints,  
11 and I by no means minimize the importance of those sub-  
12 missions all of which have their very real and pertinent  
13 argument and which were written and presented from  
14 the standpoint of the problems in these areas. That  
15 does not imply that these viewpoints are sectional but,  
16 nevertheless, they do of course represent the viewpoints  
17 of the places from which they come. There are the  
18 incidence related to the area which the representation  
19 covers.  
20

21 I mentioned the good people from southwestern  
22 Ontario. When you look at the geographic shape of  
23 Ontario, you will see it is a peninsula formed by the  
24 Great Lakes, jutting down into the great populous  
25 centres of the United States. I think we have immediate-  
26 ly around our borders something of the order of 75  
27 million people in the northern American states. You  
28 can see the difference in the problems and the differ-  
29 ence in the influences which you are going to get, when  
30 you compare that with northwestern Ontario, which we









1 say, with all apologies to you westerners, is the true  
2 gateway to Western Canada. That is true historically,  
3 going back to the days of the fur traders, and going  
4 back to the days of the explorers. It is true today  
5 because it is the farthest, most westerly port in  
6 Canada, from the great St. Lawrence Seaway.

7  
8 As a matter of fact, the people of northwestern  
9 Ontario represent that their interests, transportation-  
10 wise, are not unrelated and indeed are related to  
11 Western Canada. That is a viewpoint that I thin is  
12 very worthy of consideration, and I may say that, in  
13 addition to the eloquence of Mr. McTague and others,  
14 the persuaviveness of the people up there in urging  
15 that Ontario should abandon her traditional role is one  
16 of the reasons why I am here today.

17 If I had the opportunity to attend at the lake-  
18 head, I would most certainly do so. It may be possible,  
19 indeed, to attend at the lakehead. As a matter of fact,  
20 I would very much like to present this brief up here  
21 but other things ordained otherwise.

22 It is a very great pleasure for us to welcome  
23 the Royal Commission on Transportation to Ontario. The  
24 subject of your inquiry is one of great importance to  
25 Ontario and the whole of Canada. The spanning of this  
26 province and nation by railways was fundamental to the  
27 creation of Canada and continues to be essential to its  
28 economic development. Despite the growth of water  
29 transport, the emergence of hugh interlocking motor  
30 vehicle transportation systems, the development of air





1 travel and the more recent advent of big-inch pipe-  
2 lines, the railways still constitute a vital part of  
3 our country's economic fabric.

4 In the carriage of goods, they remain the  
5 largest and the most diversified of all the carriers by  
6 land. However, it is clear that the place of railways  
7 in that economic pattern is one of declining relative  
8 importance. Specialized large bulk carriers are able  
9 to transport commodities by water at costs far below  
10 those incurred by the railways for a similar service.  
11 Pipe lines can do the same with liquids and gases.  
12 Motor carriers are providing services by road so  
13 flexible and so convenient that they have continually  
14 increased their share of the total traffic, whether  
15 measured in ton-miles or in revenue. Air carriers have  
16 pioneered new freight routes and appropriated a major  
17 share of the long-distance passenger traffic at rates  
18 above rail rates. Buses and the private motor car  
19 are the predominant short-distance intercity carrier  
20 of passengers -- although I must say that they do not  
21 necessarily need to be.  
22

23 In part these changes have been a consequence  
24 of rising wealth. In many cases people can afford  
25 to let greater convenience and speed prevail over the  
26 cost of transportation. Whether we can afford those  
27 luxuries in the future is another question, but that is  
28 what the economists tell me is the case now. Growing  
29 industrialization has also contributed to the develop-  
30 ment. For the secondary industry freight charges are







1 often less burdensome in relation to total costs than  
2 for primary industries, while service, speed and  
3 flexibility may be factors of major importance. What-  
4 ever the reasons, this shift in the shape of the Canadian  
5 economy is of great magnitude. The railways which, at  
6 one time, could bend the economy to suit their operating  
7 convenience, can no longer do so -- at least in part of  
8 the country, and I would say that generally in southern  
9 Ontario that is so. In some areas they are still  
10 the only practical means of transportation and exercise  
11 the power of life or death over resource or business de-  
12 velopment and expansion, but their near-monopolistic  
13 domination of the economy at large no longer exists.  
14 The sweeping changes which have occurred and which have  
15 by no means exhausted themselves, justify a re-examina-  
16 tion of the whole system of railway operation and its  
17 structure of rates. We, therefore, welcome the  
18 appointment of your Commission and we will do our best  
19 to cooperate with you in your studies and deliberations.

21 Among the questions for which you may wish to  
22 provide answers are these: Are the railways adapting  
23 themselves adequately to the changes in our economy?  
24 Are rolling stock, equipment and facilities being main-  
25 tained at an efficient level? Are the railways alert  
26 to the opportunities that exist in the development of  
27 new resources and contributing to the expansion of our  
28 trade both at home and abroad? Are rates equitable be-  
29 tween different users and non-discriminatory between  
30 the different regions of Canada? Finally, are rates or







1 other sources of revenue sufficient to ensure an effi-  
2 cient system of transportation capable of contributing  
3 fully to our economic development?

4 I must admit that I have a good many misgivings  
5 concerning railway services and operations. I do not  
6 profess to be an expert. I come here with no pretense  
7 to be an expert in this matter. I come from rural  
8 Ontario -- and that is a good place to come from -- and  
9 I see the development of our problems from that stand-  
10 point.  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 Over the past score of years I have seen and  
2 watched the almost total dissolution of any practical  
3 railway service to the people of vast areas of Ontario.  
4 Southern Ontario is covered by a network of railway  
5 lines serving almost every portion of that great area.  
6 In the period I mention I have seen services discon-  
7 tinued, hundreds of miles of railway lines torn up,  
8 and in many other cases services contracted to the  
9 point where they are of very little use to the communi-  
10 ties concerned.

11 I could give countless examples. In the  
12 community I come from, I have witnessed the development  
13 of uranium mines in the Bancroft area involving the  
14 employment of many hundreds of workers and the estab-  
15 lishment of new communities. It is strange that co-  
16 incidental with this I have seen the discontinuance of  
17 the railway line from Lindsay to Bancroft which one  
18 would think would be essential to the servicing of the  
19 community.

20 Now, I don't, sir, disagree with the great  
21 daily newspaper which we have which published something  
22 about this last Saturday. As a matter of fact, the dis-  
23 continuance of that service was approved of and was  
24 mooted long before the discontinuance of one of the  
25 contracts, the Dyno contract, up in the Bancroft area.  
26 As a matter of fact, the growth of the Bancroft area  
27 and its development was done without any real railway  
28 contribution, which seems to me to be a curious situa-  
29 tion.  
30







1 This is simply typical of southern Ontario. Except on  
2 main lines or those serving large urban centres the  
3 railways in vast areas of Ontario have ceased to be of  
4 economic consequence.

5 Now, sir, that is perhaps a very broad statement;  
6 it may be too broad a statement, but I think myself that  
7 in the main that is true, that the railways have ceased  
8 to be of real economic consequence, and I could take you  
9 to areas where networks of railways emanated from and  
10 where the country was served in all sorts of ways and  
11 where hundreds of people were employed, and today there is  
12 virtually no employment at all.

13 I may ask how the railways expect to obtain  
14 business with antiquated, outdated services and practices  
15 which in many cases are little different than they were  
16 at the end of the 19th century. Perhaps it is little  
17 wonder that, in the face of aggressive competition aimed at  
18 servicing people and industry, the railways have lost out.  
19 Perhaps one of the answers to the problem with which they  
20 are confronted is more modern, efficient equipment in line  
21 with 1960 competing in aggressiveness and efficiency with  
22 alternative services. As a matter of fact, sir, ser-  
23 vices of every kind should be able to compete. That is  
24 one of the things that produces better service, I think,  
25 here in Ontario. The Hydro Electric Power Commission,  
26 for example, for years had virtually a monopoly in power  
27 that perhaps it is a good thing for that system to be  
28 faced with competition from natural gas.

29 Now, I think myself, sir, that is something that  
30





1 should be looked at. I believe that if there were  
2 fast, flexible operations between the more outlying  
3 parts of Ontario and the larger cities there would be  
4 many people who would use rail services rather than the  
5 bus of truck, or, indeed, car, transportation on our  
6 highways. I suggest that management and the unions  
7 in the railway world sit down together and see what can  
8 be done to compete in an up and coming way with their  
9 competitors. There is all sorts of business available  
10 which would give rise to greatly increased employment,  
11 but many businesses simply will not look at the railways  
12 when they operate with outdated methods and equipment  
13 and with services which simply do not meet the require-  
14 ments of 1960. This is a problem for both labour and  
15 management to look at, and I would say they should look  
16 at it through a microscope pretty thoroughly if they  
17 want to find out why they are not getting revenues. It  
18 would seem to me that is one of the answers in the freight  
19 rate question.  
20

21 Now, having made my protest as one who comes  
22 from the wide open spaces, I will continue with this  
23 submission.

24 No doubt some of the problems and difficulties  
25 of the railways are underestimated. Perhaps nowhere  
26 else is there a greater tendency for rigidities to  
27 develop than in the field of rail transportation. The  
28 fact that the railways perform a public service may  
29 on occasion necessitate a continuation of a particular  
30 operation in the absence of economic justification.







1 That, of course, is true of all business; it is true of  
2 the Hydro, it is true of the gas business, it is true  
3 of the banks, and every other business that is serving  
4 the public. On the other hand, because of their  
5 innate inflexibility and their inability or failure to  
6 adjust to new conditions, customs and habits, the rail-  
7 ways have not participated in the growth of our economy  
8 as fully as many expected.

9  
10 Although the answers to the questions I have  
11 posed are complex and difficult, they are, in our  
12 judgment, fundamental to a reformulation of railway  
13 policy. We live in a dynamic economy which is capable  
14 of conferring great benefits upon those who adapt them-  
15 selves to its needs. It breaks or destroys those who  
16 fail to conform. In speaking out for a reexamination  
17 of railway policies and practices we feel we are speaking  
18 in the interest of Canada as well as our province.

19 We hope that from your deliberations will come  
20 recommendations that will assure for Ontario and Canada  
21 modern and efficient railways, possessing the capacity  
22 of adaptability to change and providing services  
23 consistent with the optimum development of Canada as  
24 a nation at rates that are equitable and fair to all  
25 regions in Canada and realistic in relation to the  
26 cost of providing services.

27 We believe this course to be the best for  
28 Ontario and best for Canada in the long run. Ontario  
29 forms a large part of this nation, although I would say,  
30 sir, no more important than the rest of our country.







1 Some people think we like to say that, but we don't; I  
2 would say we are just in the partnership.

3 It contains 34.2 per cent of Canada's popula-  
4 tion, accounts for half of its manufacturing output, 40  
5 per cent of its mineral output, one-third of its pulp  
6 and paper production, 30 per cent of its agricultural  
7 production, 37 per cent of all capital investment in  
8 Canada, and 38 per cent of all retail sales. In  
9 addition, it contributes approximately half of all per-  
10 sonal and corporate income tax collected by the Govern-  
11 ment of Canada. We believe, therefore, that we have  
12 an important stake in the railway systems of this country  
13 and in the rates and other means by which they are  
14 financed. The establishment of rates that would result  
15 in the restriction of this province's trade would not  
16 only adversely affect Ontario, but, indeed, the whole of  
17 Canada.

18 In submissions I have made to federal and pro-  
19 vincial and other conferences I have underlined before,  
20 and I underline now, that what we say on behalf of our  
21 province we think is taken in balance of importance and  
22 great importance to the whole of the country. Now, we  
23 want to take this viewpoint, that the strength of Canada  
24 depends on the strength of the whole. The prosperity  
25 of other provinces contributes to the prosperity of this  
26 province and to the prosperity of the whole. We  
27 want to acknowledge that and underline that, and we don't  
28 want to make submissions on the basis of selfishness  
29 at all. You will readily understand that it is our task  
30





1 and our job to make representations concerning this  
2 portion of Canada; but, on the other hand, sir, maritime  
3 development and prosperity and western development and  
4 prosperity is as vital to us and is as agreeable to us,  
5 and we count on it as being necessary to us as anything  
6 else. So anything we say I wish y u would take in that  
7 way.

8 If Ontario were homogeneous in all its parts,  
9 its transportation problems would be considerably less  
10 complicated. In fact, there is a great variety of  
11 interests in the different regions of this province.  
12 The differences in economic structure between southern,  
13 southwestern, northern northwestern and eastern Ontario  
14 are quite evidence and require an assessment of their  
15 respective transportation needs and costs in keeping  
16 with their special requirements. For instance, in  
17 northwestern Ontario, railway rates, aggravated by  
18 horizontal increases, can be a serious impediment to  
19 the development of its resources, the export of forest  
20 and mineal products and also to established trade chan-  
21 nels and markets in that part of the province. I  
22 believe that recommendations are being made for the  
23 elimination of certain anomalies. In southwestern  
24 Ontario there is also a feeling of discrimination.  
25 Submissions are being made to you by representatives from  
26 these regions as well as others. I am confident that  
27 they will receive the same careful consideration that  
28 you would extend to us in making this submission to you  
29 on behalf of the province as a whole.  
30









1                   This is, I believe, the first submission ever  
2 made by Ontario on railway transportation. It is of  
3 a very general nature and does not attempt to deal with  
4 specifics. It does, however, endeavour to set forth  
5 certain basic observations and principles. We do not  
6 propose, at least at this time, to go into detail.  
7 We understand, however, that in making this submission,  
8 which should be construed as only an interim one, we  
9 will not in any way prejudice our right to make further  
10 submissions or representations to the Commission at a  
11 later date.

12                   I wish to say again how pleased we are that  
13 you have come to this province and that you will at a  
14 later date be visiting and holding hearings at the head  
15 of the lakes. On behalf of the people of Ontario, we  
16 extend to you a most cordial welcome to our province  
17 and wish you every success in your endeavour to resolve  
18 these important problems of transportation.

19                   That is an introductory statement, sir, which  
20 I hope you did not find too lengthy.  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 THE CHAIRMAN: Thank you very much, Mr. Frost.  
2 I understand that your Legislature is in session and  
3 I suppose your duties are there as well as here.

4 MR. FROST: That is right, but on the other  
5 hand we are glad to take time out.

6 MR. CUMMING: Mr. Chairman, I understand from  
7 what Mr. Frost has said that his government will be mak-  
8 ing a further submission at the later sittings in Ottawa  
9 and I would like to reserve any questions I may have on  
10 behalf of the Commission until that later stage.

11 MR. HUME: Mr. Premier, my name is F. R.  
12 Hume and I represent the Canadian Trucking Associations.  
13 I do not wish to cross-examine you but because of the  
14 interest in the other provinces of Canada I would like  
15 to have you confirm for the record that so far as high-  
16 way transportation regulation in this province is  
17 concerned that control into the entry is regulated  
18 by requiring a certificate of public convenience and  
19 necessity from the Ontario Highway Transport Board?  
20

21 MR. FROST: Yes.

22 MR. HUME: And so far as the rates are con-  
23 cerned, this province does not in any way regulate nor  
24 require the filing of direct transport rates?

25 MR. FROST: That is right.

26 MR. MAURO: My name is Mauro and I represent  
27 the Province of Manitoba. I want to say, Mr. Prime  
28 Minister, that we are very interested in the submission  
29 of the Province of Ontario. I think it conforms in  
30 many respects with the submissions that have already been







1 made by the Premier of Manitoba. As you know we are  
2 particularly concerned with the impact on present rate  
3 policies, particularly on the long haul provinces.  
4 You have mentioned in the first chapter of your submis-  
5 sion that this, in fact, has a very marked impact on  
6 the development of northwestern Ontario. I have  
7 assumed from this submission that the Province of Ontario  
8 is taking the position that this Royal Commission should  
9 make a very full and searching examination of our entire  
10 rate structure with a view to reappraising it in the  
11 light of modern technological and modern economic in-  
12 terests in Canada. Is that correct?

13  
14 MR. FROST: That is right, yes. I went  
15 somewhat further on one particular aspect, I said that  
16 labour and management are interested in transportation  
17 too.

18 MR. MAURO: Just one other point that perhaps  
19 you are in a position to advise us on. On page 4 of  
20 your submission where you mention that railways perform  
21 a public service and may on occasion insist on the  
22 continuation of a particular operation in the absence  
23 of economic justification. The Province of Manitoba,  
24 Mr. Prime Minister, has suggested that, for instance,  
25 in the field of passenger services that when these ser-  
26 vices are required in the national or public interest  
27 then perhaps the public treasury should meet the losses  
28 occasioned thereby rather than placing the burden from  
29 the railways on the freight shipper?

30 MR. FROST: Well, Mr. Mauro, on that point I







1 would prefer perhaps that you direct your questions to  
2 those who will follow. My reference there is this:  
3 taking into account the whole picture, because some  
4 particular operation was not economical, it was not a  
5 reason to discontinue that if the public interest at  
6 large required that. Now, I would prefer that the  
7 railways would be able to pay their own view, you  
8 understand, and perhaps I might have used that more from  
9 the standpoint that when you take the operation as a  
10 whole what the railway or railways can do for the coun-  
11 try and the business they get, then some of these things,  
12 the services which actually are not paying, would be  
13 justified. I have not been opposed to subsidization  
14 on certain things; I think in the interests of our coun-  
15 try that is required in cases. On the other hand, I  
16 think you have to take that picture in balance and that  
17 is something for the Commission to ponder over.

18  
19 MR. MAURO: The one fact I would like to ask  
20 you about and your colleague may want to answer this,  
21 but we have in light of this general approach a necessary  
22 reappraisal recommended by the Province of Manitoba that  
23 a Board, some type of research directive board be estab-  
24 lished on the federal plane to attempt to better integrate  
25 and point these many transportation changes in Canada,  
26 pipe line, highway, air, water and rail, and that this  
27 is a necessary forward step in the light of the various  
28 aspects on transportation in the Dominion of Canada today  
29 and to ask whether you are prepared to say whether or not  
30 the Province of Ontario would support such a proposal?





1 MR. FROST: Well, I do not know. I have  
2 not studied or considered this and I do not know the  
3 practicability of it. You must remember that some  
4 transportation is provincial and how would you handle  
5 that with a federal board?

6 MR. FRAWLEY: My name is Frawley and I am  
7 here today as counsel for the Province of Alberta. I  
8 am delighted to hear you say that natural gas is not  
9 only good in and of itself but you think it is good  
10 for Ontario Hydro. We could not ask for more than  
11 that.

12 I have not a single exception to take to the  
13 first part of your brief that you have read, and, there-  
14 fore, I do not propose to ask you anything about it.  
15 May I say while I am on my feet that I have given your  
16 brief a very cursory examination and may I say now  
17 that I am very much struck by the very forceful reasoning  
18 it contains with regard to the very important matter of  
19 value of rates against cost of service in the Canadian  
20 freight rates structure.

21 MR. McDONALD: Mr. Premier, I represent the  
22 Canadian National Railways and I just received a copy  
23 of your brief before lunch today so I have not had much  
24 opportunity to study it. Later on, I understand, we  
25 will have the opportunity of cross-examining some of  
26 your assistants in Ottawa.

27 However, there is one part in your own hand-  
28 writing, as it were, some railway operating up around  
29 Lindsay that is not doing what you want it to do.  
30









1 MR. FROST: Mainly the C.N.R.

2 MR. McDONALD: Well, you know the amount of  
3 money that the railways have spent on new equipment since  
4 1945 trying to regain some of the business -- it is  
5 in the millions. You suggest they should have better  
6 equipment?

7 MR. FROST: Well, I would say this, and I say  
8 this to your competing company, the C.P.R., it just does  
9 not add up to me. Now, in taking the area I come from  
10 -- I could take a dozen other areas in Ontario, more  
11 than that, because almost every section of the province  
12 comes into it, with the immense development in Ontario  
13 we have had two million people added to our population  
14 in the last fifteen years. That is, we have added  
15 half to our population in that time. The tempo of  
16 business has everywhere expanded. You see buildings,  
17 expansion in industry, and I am not making an election  
18 speech or anything like that, but you can see that. It  
19 is a curious thing when you see the contraction of  
20 service to the point where it is almost a nullify in  
21 many places. Now, why is that? Surely that is a good  
22 question. I cannot imagine why today it would be  
23 cheaper to service an industry, for instance, in Haliburton  
24 with a truck over all those miles of road and everything  
25 else, with the driving conditions and whatnot, than it  
26 would be to service it if there were an efficient ser-  
27 vice on the railway line. It would seem to me that would  
28 be the answer.

29  
30 Now, as a matter of fact, how do you expect





1 people to travel there? It used to be that I would  
2 travel from Lindsay to Toronto a good deal by train  
3 and I could leave Lindsay at eight o'clock in the morning  
4 and be in Toronto in time for business. Then I could  
5 leave at five or five-thirty in the afternoon, and that  
6 used to be one of the sayings, that was one of the  
7 best things about Toronto, the five-thirty train back to  
8 Lindsay.

9  
10 Now, to travel by train is simply out of this  
11 world because the transportation is slow and there is  
12 no real effort, as I see it, to accommodate the public.  
13 No wonder they go on the bus. It seems to me -- I do  
14 not profess to be an expert at all -- but I wonder  
15 where there is a railway line built and they are all  
16 over southern Ontario, surely with the railway lines  
17 which are there, that have been built, -- direct lines --  
18 and in many cases they are controlled access lines in  
19 many ways, why you should not be able to build up  
20 business with methods that are consistent with making  
21 them efficient. That is the question. I do not  
22 see how you will get any more business by curtailing  
23 and curtailing and having one service a week, and that  
24 sort of thing. I do not see how you can do it. I  
25 do not think that is the answer.

26 Now, you may say that the province maintains  
27 the highways and collects gasoline tax, and so on, but,  
28 remember that these truckers, we try to tap them too.  
29 They howl and protest about that, but we try to tap  
30 them and we do. I would point out that these lines are







1 built, they are there, and surely it is better to make  
2 them pay than pull them up, and yet that is happening  
3 all over the place.

4 MR. McDONALD: I think what the railways have  
5 tried there, we have had that same suggestion before  
6 about passenger service and a faster service, and we  
7 have put it on and tried it out and lost money. We  
8 have asked, "What do you suggest for schedules?" There  
9 are a number of cases there where we say that once a  
10 person has a private automobile he will not ride on the  
11 railway. That is from the railway standpoint.

12 However, in the freight services I would point  
13 out both railways have spent a lot of money on new  
14 equipment trying to recover and hold and develop their  
15 freight services. They have to do that these days.  
16 However, we will certainly take into consideration all  
17 the suggestions which you have made.

18 MR. FROST: I might say I have said this --  
19 I realize that what you do is what they say, but I have  
20 said that to the management of both lines. Actually,  
21 you could take a bus or you could have goods delivered  
22 to Bancroft and perhaps you people ought to have a look  
23 at that. That is what I say, perhaps labour and  
24 management ought to get together on that.

25 MR. SINCLAIR: Mr. Prime Minister, my name  
26 is Ian Sinclair and I represent the Canadian Pacific  
27 Railway.

28 Now, Mr. Prime Minister, you say on page 1  
29 that the railways are fundamental to the creation of  
30







1 Canada and essential to its economic development. After  
2 referring to the other modes of transportation you say  
3 that they are a vital part of the economic framework  
4 of the nation. Both Ontario and Canada at large, I  
5 take it, is what you have in mind?

6 MR. FROST: Oh, I think that could be en-  
7 larged upon.

8 MR. SINCLAIR: The point I would draw to  
9 your attention is this, in the light of those submissions  
10 you would agree, I take it, with the submission of the  
11 railways to this Commission that financially sound rail-  
12 ways are essential to the economic well-being of Canada?

13 MR. FROST: I would agree with that, yes.

14 MR. SINCLAIR: And you, sir, would also agree  
15 that for these railways to be financially sound they  
16 should receive just and reasonable remuneration for the  
17 movement of every segment of freight traffic that they  
18 carry?

19 MR. FROST: Subject to this, MR. Sinclair,  
20 more and more they will have to be competitive, otherwise  
21 all you do is price yourself out of the market.  
22

23  
24  
25  
26  
27  
28  
29  
30





1 MR. SINCLAIR: Quite so; but, in relation  
2 to your costs, as you point out on page 4, they should  
3 receive rates that are realistic in relation to the cost  
4 of providing the service; that is what you say at page 4?

5 MR. FROST: Subject also to this, that I think  
6 you people, in your costs of operation and your methods  
7 should do everything possible to get our costs down.  
8 There is no use operating an inefficient service or  
9 arrangement and then matching that with a rate that is  
10 going to pay for it, because people would not use it.  
11 If you are going to price yourself out of the market --  
12 I would say, myself, that coincidental with rates you  
13 have got to look at your costs and doing business and  
14 the methods of your operation.

15 MR. SINCLAIR: What you are saying, Mr.  
16 Prime Minister, is that the railways must be financially  
17 sound and they must be efficient?

18 MR. FROST: Absolutely. You take those two  
19 together and perhaps you are getting somewhere. I  
20 think they have got to be efficient; I think they have  
21 got to be well run, and they have got to have regard to  
22 cost, and I think with that, if that is done, I think  
23 there is more business to be obtained. I say this  
24 to the men who work on the railways: I think there is  
25 more employment to be obtained if such is done. I  
26 think this might be a good time to look at railway  
27 operations as a whole and see what is happening. I  
28 have seen in this province railways that were instru-  
29 mental in the building up of this province and this  
30







1 country simply disappear. I have seen your own rail-  
2 way tear up a line between Port McNicoll and Lindsay,  
3 and, down on the seaboard, I have seen them tear up  
4 a line.

5 MR. SINCLAIR: Would you agree, Mr. Prime  
6 Minister, that if a service, after being properly ap-  
7 praised, is not an economic service, and, looking for-  
8 ward in a proper way, that it cannot be economically  
9 justified, then action should be taken so that it does  
10 not become a burden?

11 MR. FROST: That is right; I agree with that  
12 -- subject to this: I don't agree -- I find myself in  
13 disagreement that you should have been put out of  
14 business.

15 MR. SINCLAIR: Well, there is a time for me  
16 to make my submissions to this Commission, and, much as  
17 I would like to take this opportunity, I think my  
18 friends would object to it.

19 In a number of places in your brief you make  
20 reference to the fact that the railways should operate  
21 as business enterprises: for instance, I think it is  
22 on page 24, you recognize the railways, as any other  
23 economic instrument, must be able to earn a reasonable  
24 return on its investment. This is a matter of prin-  
25 ciple and not a matter of detail.

26 THE CHAIRMAN: Well, that will be dealt with  
27 by another witness.

28 MR. SINCLAIR: Well, I don't think the Prime  
29 Minister would object to my quoting from the brief  
30





1 presented by his Government.

2 MR. FRAWLEY: Mr. Chairman, we understood the  
3 Prime Minister was to confine himself to Chapter 1, and  
4 that any questions should be confined to Chapter 1.

5 THE CHAIRMAN: I think we will stop there, Mr.  
6 Sinclair, on that.

7 MR. FRAWLEY: There are a lot of things I  
8 would like to go over with the Prime Minister and get him  
9 to agree on -- just restate them.

10 THE CHAIRMAN: Well, I would not let you, and  
11 I don't think I will let Mr. Sinclair.

12 MR. SINCLAIR: Very well, Mr. Chairman, I  
13 won't refer to anything in the brief.

14 Mr. Prime Minister, it is the position of your  
15 government that the railways, from what you have said  
16 today, should operate as business enterprises?

17 MR. FROST: That is right.

18 MR. SINCLAIR: And they should stand on their  
19 own feet -- I think you used that phrase earlier?

20 MR. FROST: Yes -- I say simply with this  
21 qualification, when I was talking to Mr. Mauro, that I  
22 am not ruling out in a big country like this, with all  
23 of its problems and difficulties, and the necessity of  
24 bringing along areas of the country that are under  
25 disability by way of distance and so on -- I am not  
26 ruling out the question of subsidies in those cases.  
27 I am bound to say that where there are subsidies I think  
28 this applies to government subsidies generally, but they  
29 should be directed at bringing those places along so they  
30







1 can take care of themselves in the course of time.

2 MR. SINCLAIR: It would be your position  
3 that federal government subsidies should be resorted to  
4 as a last resort and after it had been clearly demon-  
5 strated that ---

6 MR. FROST: I had better look and see what I  
7 have done, myself, before I answer that.

8 MR. SINCLAIR: Well, Mr. Prime Minister, you  
9 can plead the amendment, but in regard to transportation---

10 MR. FROST: I would say this on that question:  
11 you have got to take chances in a big country like this,  
12 with our possibilities; and there are places, no doubt,  
13 where it very well pays the province or the federal  
14 government or indeed the municipality to take some chances  
15 in doing something which in the end is going to pay off.  
16 People may say that is speculative, that that is getting  
17 the government into matters of speculation, and I agree  
18 that you can carry that principle altogether too far,  
19 but I do think that you have to regard the question of  
20 subsidies and assistance from that standpoint of trying  
21 to get certain places, certain resources and certain  
22 industries of this country on their feet, and get them  
23 into a position that they can pay, and then, when they  
24 pay off, why, the fact that they do help some other  
25 place when they are getting into difficulties -- I would  
26 not be dogmatic on this point.

27 MR. SINCLAIR: When you referred to page 4 of  
28 your brief, when you were discussing it with Mr. Mauro,  
29 you referred to the fact that there may be some services  
30





1 that were uneconomic and had to be carried on, and you  
2 referred to that as a general business practice, and I  
3 think you made reference to facts?

4 MR. FROST: Well, the bank is on my trail,  
5 but I think in conducting any big business that it pays  
6 -- that as part of the service, that in some places it  
7 may not add up to a net profit, but in other places the  
8 fact you have that service helps to make that end of the  
9 business pay.

10 MR. SINCLAIR: Quite so, and I think there  
11 would be general agreement in principle with some of those  
12 things. Let me keep to banks for the moment.

13 MR. FROST: Well, I wanted to get away from  
14 them, myself.

15 MR. SINCLAIR: So does everyone, sir, but  
16 unfortunately they are with us. However, I wanted to  
17 keep them in the analogy in which you put them to Mr.  
18 Mauro. Let us take, for want of a better example,  
19 the Toronto-Dominion Bank, and it happens to have a  
20 branch in a certain area and it finds that that branch  
21 is uneconomic. Now, there is no law that compels that  
22 bank to maintain that branch, is there?

23 MR. FROST: No, not that I know of.

24 MR. SINCLAIR: And there is no law that com-  
25 pels that branch of that bank to provide service at any  
26 fixed amount of return to it; that is correct, isn't it?

27 MR. FROST: No, except the general laws; I  
28 mean the general laws of commerce.

29 MR. SINCLAIR: That is right.







1 MR.FROST: That they charge you 25 cents to  
2 cash a cheque, and a lot of other things -- they don't  
3 charge a rate because ---

4 MR. SINCLAIR: For many years they used to  
5 cash cheques as a service, and they found, when their  
6 costs went up, they could no longer do that and they had  
7 to implement a charge; would you think that would be  
8 quite proper?

9 MR. FROST: Yes.

10 MR. SINCLAIR: And would you think that same  
11 kind of approach should apply to the railways?

12 MR. FROST: Well, I don't know, that is a  
13 pretty general kind of question. I think you can get  
14 this down to this, that I would go with you on this  
15 principle, that I think the railways ought to pay their  
16 way. I think, coincidental with that that the rail-  
17 ways ought to operate their business in a way that is  
18 going to build up business. You used the Toronto-  
19 Dominion Bank, and I see advertisements by that bank  
20 around the country telling of the good service they give,  
21 and they do give good service. I don't want to dis-  
22 agree with what you are saying, but I think this, that  
23 rates, the ability of the railways to pay their way,  
24 I will go with you on that, but I think they have got  
25 to give service and get out and dig for business and  
26 make the other fellow hustle. In Ontario, my point  
27 of disagreement is that I don't think they are doing that.

28 MR. MAURO: Just because we talked about  
29 truth this morning, on that one analogy of the Toronto-  
30





1 Dominion Bank, that should be compared with what the  
2 Toronto-Dominion Bank received from governmental  
3 sources, and the millions of dollars and millions of  
4 acres the C.P.R. received.

5 THE CHAIRMAN: Well, I am sure we all realize  
6 that.

7 MR. FROST: That, sir, is getting over my  
8 depth.

9 MR. SINCLAIR: In dealing with what you said  
10 to me about the railways, the Commission had the advan-  
11 tage this morning of hearing from the St. Catharines  
12 and District Chamber of Commerce, and in relation to  
13 one matter I want to know if you would agree with them,  
14 and this had to do with where they said this:

15 "In our opinion the earnings of other  
16 businesses and investments should not be taken  
17 into consideration when setting rates."

18 That was the submission this morning to this Commission  
19 of the St. Catharines and District Chamber of Commerce;  
20 would you agree with that statement?

21 A. What you mean to say is that the business  
22 -- or the total business should be segregated?

23 THE CHAIRMAN: I think you should explain to  
24 the Premier just what you do mean, Mr. Sinclair.

25 MR. SINCLAIR: I will tell you this, sir, that  
26 there is part of this Order in Council that asks whether  
27 and to what extent the Railway Act should specify what  
28 earnings and assets from other than rail businesses  
29 should be taken into account.  
30







1 THE CHAIRMAN: You might explain what "other  
2 income" includes.

3 MR. SINCLAIR: Very well. Canadian Pacific,  
4 as you may know, Mr. Prime Minister, is engaged in a  
5 number of businesses and has interests in a number of  
6 businesses: for example, it has a stock interest in  
7 Consolidated Mining and Smelting which it purchased. It  
8 has an interest in certain timber lands which it pur-  
9 chased. It has an interest in certain

10 MR. FRAWLEY: Don't forget the oil in Alberta,  
11 because that would be the place to put it in -- after  
12 the timber.  
13

14 -  
15  
16  
17 -  
18  
19  
20 -  
21  
22 -  
23  
24  
25 -  
26  
27 -  
28  
29  
30 -





1 MR. SINCLAIR: And it has an interest in  
2 certain mineral rights in Western Canada which it earned  
3 and got clear title to just like the homesteaders.

4 MR. FRAWLEY: Twenty-five million acre grant.

5 MR. SINCLAIR: I was asked to explain it.  
6 Maybe you would like Mr. Frawley to try to do it better.

7 THE CHAIRMAN: I will accept the fact that it  
8 is involved. Mr. Frawley was giving a definition of  
9 the word.

10 MR. FRAWLEY: My friend raised it. So I am  
11 going to remind him about the oil revenue.

12 MR. SINCLAIR: Very well. In any event, that  
13 is the way I understand the situation, and possibly Mr.  
14 Frawley might disagree, but he disagrees quite often,  
15 so don't be concerned about that.

16 MR. FRAWLEY: With you.

17 MR. SINCLAIR: Maybe that would answer the  
18 Chairman's question, "Would I explain?" To complete  
19 the picture, take the Canadian Pacific also has an air  
20 line and it also has certain steamships, and in some  
21 years these enterprises other than rail make money, in  
22 some years they make less, some years more, and in some  
23 years some do not make money but have losses, sometimes  
24 substantial losses. For instance, they have hotels,  
25 and in some years those make money and in some years they  
26 do not. The Board of Transport Commissioners have  
27 designated what is to be taken into account in fixing  
28 rail rates, what assets are to be looked upon as rail  
29 assets. For instance, the communications business is  
30







1 part of it -- no matter whether it is taking railway  
2 messages or providing other types of communications --  
3 and the express company in all its aspects -- highway,  
4 foreign exchange, transmissions of money -- that is all  
5 part of it, and the Board has so decided these things,  
6 but it has not taken into rail such matters as hotels,  
7 ocean steamships, U.S. railways Canadian Pacific may  
8 have an interest in, Consolidated Mining and Smelting,  
9 timber rights they may have purchased, mineral rights  
10 they may have earned, and matters of that kind. That  
11 is the situation.  
12

13 In the light of that, I put it to you whether you  
14 would agree with the proposition that the St. Catharines  
15 Chamber of Commerce has submitted to this Commission  
16 this morning, which was to this effect, "In our opinion  
17 the earnings of other businesses and investments should  
18 not be taken into consideration when setting freight  
19 rates."  
20

21 MR. FROST: Was there a question directed to  
22 the things you mentioned, such as Consolidated Mining  
23 and Smelting?  
24

25 MR. SINCLAIR: Yes, they specifically pointed  
26 out ---  
27

28 MR. FROST: I understand from what you say  
29 that the Board of Transport Commissioners has not in-  
30 cluded that in those?  
31

32 MR. SINCLAIR: Yes.

33 MR. FROST: Let me ask you another question.  
34 If they did include that, how would they deal with a  
35







1 railway that did not have those assets?

2 MR. SINCLAIR: I can only suggest that they  
3 let them go to pot, because you cannot give them what  
4 they have not got.

5 MR. FROST: You had better reach that question.

6 MR. SINCLAIR: But that points up one of the  
7 considerations that would concern you. Is that what you  
8 have in mind?

9 MR. FROST: I asked those three questions.  
10 You have to treat everyone the same, haven't you, in this  
11 business, in the railway business? I suppose that is  
12 what the Board of Railway Commissioners has done in past  
13 days. They have regarded the fact that perhaps one  
14 of the railways has not got those assets. I might say  
15 that we have a railway here in Ontario, a very fine one,  
16 Northland. I would say this to you, that that railway  
17 does not own any mines or oil wells or lands or anything  
18 of that sort.

19 MR. TURVILLE: Excuse me. My friend is  
20 pursuing a line of inquiry arising out of some material  
21 that appears later in this brief, and I submit he should  
22 be confining his questioning on that to the later witness.

23 MR. SINCLAIR: Let me say this, in the light  
24 of what you have said, sir. The Province of Ontario  
25 owns a railroad. It also has a very profitable busi-  
26 ness in the dispensation of beers, wines and liquors.

27 THE CHAIRMAN: If the Board is getting into  
28 the liquor business as well we will be here for some time.

29 MR. SINCLAIR: I just want to ask the Prime  
30





1 Minister if he would think that the profits from the  
2 liquor business of Ontario should be taken into account  
3 in fixing the rates that should be charged on the Ontario  
4 Northland which it owns?

5 MR. FROST: No.

6 MR. SINCLAIR: The answer is No, sir. Thank  
7 you.

8  
9 Now, Mr. Prime Minister, there was just one  
10 other thing I wanted to say to you. You mentioned the  
11 question of horizontal increases, and my friend has  
12 already brought that up. I take it it would not be your  
13 position, Mr. Prime Minister -- in any suggestion that  
14 you would make with regard to freight increases, you  
15 would not want to be unfair to the short haul shipper  
16 so as to favour the long haul shipper? That would not  
17 be your position?

18 MR. FROST: I think, Mr. Sinclair, with that  
19 question, you had better discuss that with the gentleman  
20 who has given a great deal more attention to it. I  
21 think you have got to look at this picture from the  
22 standpoint that the short haul shipper and the local  
23 shipper should receive justice in this picture as well.  
24 I might say this, that it may be that what has happened  
25 in rates is one of the reasons that you are being put  
26 out of business in so much of Ontario today, just the  
27 fact that you have horizontal increases across the board,  
28 which means that by reason of those things the railway  
29 in a large part of Ontario are just not competitive  
30 any more.







1 MR. SINCLAIR: Mr. Prime Minister, you have  
2 been in public life a long time?

3 MR. FROST: Some people too long.

4 MR. SINCLAIR: I would think you would agree  
5 from your experience in public life that people who have  
6 not the responsibility of government are some times prone  
7 to suggest that things should be different than they are  
8 and, indeed, to suggest that if they were there things  
9 would be a lot better. Have you noticed that?

10 MR. FROST: I have noticed that very often.

11 COMMISSIONER GOBEIL: Mr. Frost, it is very  
12 refreshing to see you giving information as the Prime  
13 Minister of Ontario. I as a resident of Quebec would  
14 like to recall to you that Quebec was also, like Ontario,  
15 staying away from these Royal Commissions. Like Ontario  
16 too at this time we have changed our minds and, as you  
17 may know, Quebec City was the first city outside of  
18 Ottawa where that commission sat, but at that time there  
19 was no brief, just a formal talk. Being from Quebec, I  
20 suggest that they could have prepared a brief, but they  
21 waited so you would prefer a brief first.

22 MR. FROST: I may say that Quebec has always  
23 been a great neighbour of ours, and perhaps if they  
24 thought there was a way of making things a little easier  
25 for us they would do it. Our submissions are, I think,  
26 pretty general in nature. They are designed to be, and  
27 we hope they will be, helpful. We want to extend you  
28 very assistance. Mr. Gathercole is the head of our  
29 Economics Department. Having entered into this matter, I





1 can assure you that we are anxious to be helpful. We  
2 think that from this will come the solution to a great  
3 Canadian problem. My references to, you might say,  
4 rural or provincial Ontario -- it hurts me greatly to  
5 see the decline in railway business when I look at  
6 communities that have employed hundreds of men, and  
7 every year the number gets less and less -- it seems to  
8 me that the place for the little community, the short  
9 haul man, is going -- and I do not like to see these  
10 people throw up their hands and say that they cannot  
11 compete here and they have to haul up their lines, and  
12 so on. If that is the case it will be a question of  
13 erosion, and the great railway systems that we have in  
14 this country will ultimately come to naught and they  
15 will be of little consequence. I do not look at the  
16 railways that way. I myself think there are great  
17 possibilities if the effort is really made to make them  
18 serve the people. I think a lot of their troubles  
19 in that way will be overcome.

21 THE CHAIRMAN: This morning we did not have  
22 a complete Commission, in that Mr. Mann was snowed in  
23 in Moncton. However, he is here now, and I present him  
24 to the gentlemen who are here. He is a graduate of the  
25 University of Toronto. His parents live in the City  
26 of Toronto. He is a student of Dr. R. G. Currie of  
27 the University of Toronto. Dr. Currie, we are pleased  
28 to say, is one of the advisers of our Commission, and  
29 an adviser very much appreciated. Dr. Mann.

30 COMMISSIONER MANN: Mr. Chairman, you have







1 been very kind to introduce me at this time. I am  
2 awfully sorry, Mr. Prime Minister, and I was incon-  
3 venienced by being snowbound. However, I felt that  
4 single-handedly I ought to do something about the  
5 passenger deficit of the Canadian railways and I there-  
6 fore came part of the way by train. It is a pleasure  
7 to be here, and I sit in considerable awe of the  
8 Prime Minister sitting in the central chamber of the  
9 institution from which I graduated.

10  
11 THE CHAIRMAN: Thank you very much. We  
12 will now release you, sir, to your other duties, and  
13 we will adjourn for five minutes.

14 ---Short recess.  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 THE CHAIRMAN: All right, Mr. Turville.

2 MR. TURVILLE: Thank you, Mr. Chairman.

3 As was indicated previously, following Mr.  
4 Frost's presentation of the first portion of the submis-  
5 sion we propose to ask Mr. George Gathercole, Deputy  
6 Minister of Economics for the Province, to present the  
7 rest of the brief, and he has been assisted in the  
8 preparation of it by Professor Lorne McDougall, and it  
9 was our hope that, perhaps to save a little time, Mr.  
10 Gathercole, as the responsible deputy minister, would  
11 reply after the presentation of the submission to any  
12 questions of a general nature that might be addressed  
13 to him, and if there are questions of identical nature  
14 that Professor McDougall, as the economist and chairman  
15 of the committee, who was responsible for the assembly  
16 of this submission, would be allowed to answer those.  
17 It would perhaps have some duplication if they decided  
18 between them who was to answer.

19 Mr. Gathercole, if I may.

20 MR. GATHERCOLE: I would simply like to  
21 preface my reading of the main part of this submission  
22 by emphasizing again that the submission is of a  
23 general nature, Mr. Chairman and gentlemen; it repre-  
24 sents observations and impressions and principles which  
25 we ourselves believe in. We consider ourselves, how-  
26 ever, to be sensible people, and if we can be proven  
27 wrong in anything that is submitted here, then we would  
28 certainly be prepared to accept it.

29 As I say, we have not sought to get into  
30







1 specifics at all and did not at this time anticipate  
2 that we would be exposed to cross-examination. However,  
3 we are very desirous of cooperation, accommodating our-  
4 selves to the wishes of the Royal Commission in any way  
5 that we can.

6 So I would simply commence here by saying:

7 A railway transportation policy is not to be  
8 discovered in isolation. It is a part of the whole  
9 process of national development. Railways should  
10 contribute to the growth of other segments of the  
11 national economy, and must themselves be nourished by  
12 the growth of the nation which they serve. A discus-  
13 sion of the nature and changes in Canadian development  
14 as it is currently progressing is therefore the first  
15 step in setting the problem given to your Commission  
16 into its full context.

17 Canada is a land of growth. This is immediate  
18 and obvious if one contemplates the current levels of  
19 growth in population and of investment in new capital  
20 goods. It is clearer still if one goes on to a compari-  
21 son of the size, wealth, and importance in international  
22 affairs, of Canada in 1960 as compared with Canada of  
23 1900.

24 This growth in wealth and power is no doubt  
25 partly due to a favourable external environment. Other  
26 nations need many of the materials in whose production  
27 Canada has a position of special advantage. But first  
28 importance must be given to the fact that Canadians,  
29 as individuals, are united in the idea that growth and  
30





1 economic progress are desirable and they are prepared  
2 to bear the costs which are the inevitable concomitants  
3 of growth. They have been willing to recognize that  
4 growth and progress impose immediate costs as well as  
5 confer ultimate benefits. For growth is never a mere  
6 matter of uniform expansion of every part of the economy.  
7 Some industries always grow at a very high rate, some  
8 hardly at all and some actually decline. Growth  
9 means change; and change means cost -- cost not only  
10 in new capital investment but to the people who are  
11 compelled to leave one occupation and to take up another,  
12 and perhaps to change their place of residence. So  
13 serious may be the effects of change that steps are  
14 required to cushion the impact. In the end, however,  
15 progress must depend on adaptation.  
16

17 Canada must surmount another obstacle: since  
18 Canadians live next to one of the dynamic economic  
19 societies of this world, decisions on major questions of  
20 policy in Canada are always politico-economic decisions,  
21 they can never be economic decisions purely. Nations  
22 less intimately exposed to pressure of this kind may be  
23 able to afford the latter luxury; Canada cannot.

24 Here then are the great moving forces behind  
25 the Canadian interest in national growth and development.  
26 Up to the end of the third decade of this century,  
27 people tended to accept growth as they accepted light  
28 and air. Sometimes there was more of it than at  
29 other times, but it never disappeared. In the 1930's,  
30 not only was growth cut off for a time, but the revival,







1 when it did come, was weak, halting and uncertain. It  
2 started from a very low base, it was interrupted in  
3 1937-39, and did not get back to the level of output  
4 taken for granted in 1929 until 1940. Since 1945 we  
5 have enjoyed a rate of economic expansion unprecedented  
6 in our history.

7 The depression of the 1930's was an extended  
8 and infinitely painful lesson in the burdens of economic  
9 stagnation. In the same terms, it was a lesson in the  
10 value of economic growth as a cleanser and sweetener  
11 of economic relations. Where there is growth, men can be  
12 independent because they are working rather than eating  
13 the bitter bread of the dependent. They can shift out  
14 of jobs which are not interesting or rewarding to other  
15 employment which is both.

16 Progress has its own costs; but the Canadian  
17 community has shown that it is willing to pay them  
18 because they are far less onerous than the costs of  
19 stagnation.

20 What has happened, almost unnoticed, is that  
21 the mould in which Canada was cast in the beginning  
22 of the modern period -- exports from the prairie west  
23 providing the integrating factor in the Canadian  
24 economy -- has been broken. Grain is still exported  
25 in large quantities, but it is now one among a number  
26 of important export items. Its old position of  
27 dominance has been submerged by the growth of other  
28 great industries. And exports as a whole, while still  
29 of the first importance, are no longer so large a share  
30





1 of the total national output as they were a generation  
2 ago.

3 It is against this background of a developing  
4 nation willing to follow the pattern of development  
5 which the application of science and changes in the  
6 external environment make possible, that transportation  
7 must be viewed. The railways must be a useful and  
8 productive part of a dynamic and growingly productive  
9 economy. Unless they too can "pay their freight",  
10 they also will be shoved into the discard.

11 The Declining Relative Power of the Railways:

12 In the 19th century the railways were not only  
13 the great growth industry of the whole economy, they  
14 were also the one in which the individual units were  
15 largest. Every other part of the economy had to look  
16 to them, because the level of railway rates which it had  
17 to pay could make or break nearly every other industry.

18 The crucial fact about the present situation  
19 of the railways is that the era of buoyant growth came  
20 to an end in the second decade of this century; and when  
21 it ended, the dominance of the railways no longer held  
22 over most areas. Their problem is that, though  
23 conditions have been greatly changed, they are still  
24 operating under many of the old rules established before  
25 World War I, which are no longer tenable.

26 The detailed proofs of the statement that  
27 the railways are about forty years away from their peak of  
28 influence and are now a declining industry are given in  
29 Appendix I. Those who want to follow this closely are  
30







1 referred to it. What follows is a rather brief con-  
2 spectus of the arguments presented there in detail. In  
3 order to avoid the complication of changes in population,  
4 all data affected by it will be put upon a per head  
5 basis.

6 The freight traffic always has been the major  
7 source of railway revenue and is becoming progressively  
8 more important as passenger business shrinks. The one  
9 long-period sight on the changes in it is the figure for  
10 the tons of freight carried per head of population  
11 which is available from 1875. It includes freight  
12 received from foreign connectors plus freight inter-  
13 changed between railways in Canada. As such, it in-  
14 cludes duplications. This is regrettable but un-  
15 avoidable; no other long-term series is available.

16 It is very easy to recognize in this series  
17 showing the per capita tons of freight carried the  
18 powerful upward trend ending in the 1920's (the data  
19 of the first ten years have been omitted for ease in  
20 plotting only. They show a doubling of traffic in  
21 that short period) and, despite the disturbance of  
22 depression in the 1903's, the generally downward trend  
23 since that time (Graph I). The all-time high figure  
24 under conditions of peace was reached in the year ending  
25 June 30, 1913 at 14.23 tons. The absolute peak was  
26 reached in the first war, not in the second; and the  
27 downward drift in the years since the last war is quite  
28 pronounced. The year 1956 was the peak of the postwar  
29 boom and produced a total of 13.28 tons of freight per  
30





1 head, or 6.7 per cent under the mark set forty-three  
2 years earlier.

3 A second order trend line has been fitted to  
4 the data and illustrates the extent to which the trend is  
5 now downward. The fact that there is a low degree of  
6 contact between the annual data and the curve is due  
7 to the depth of the depression of the 1930's.

8 An examination of the net total of freight  
9 originated on Canadian lines and received from foreign  
10 connections (Graph II), does very little to modify  
11 the impression created by the first graph. It is  
12 clear that there has been no net gain in the per capita  
13 amount of traffic carried and the indication of a down-  
14 turn since 1945 is plain. The appearance of a strong  
15 recovery in 1956 is subject to qualification. Out of  
16 the total of 11.76 tons per head in that year, 0.85 tons  
17 were contributed by iron ore on the Quebec, North Shore  
18 and Labrador Railway which has no rail connection with  
19 the rest of the railway network of the country. If  
20 such traffic were excluded in each of the years 1955  
21 to date, the indication of declining traffic would be  
22 both strong and unquestioned.

23 In total, railway freight traffic is increasing;  
24 but it is not keeping step with the population increase,  
25 and it is falling still further behind the economic  
26 growth of the country. (Breaking down these aggregates  
27 into tons originated on Canadian lines, by commodity  
28 class, one gets Table 1 which gives three representative  
29 five-year averages, at 1925-29, 1935-39 and 1954-58.)  
30







TABLE 1

Average Number of Tons of Freight Traffic  
Originated in Canada and Received from  
Foreign Countries, per Head of Population

| Product Class                                       | 1925-29 | 1935-39 | 1954-58                     | 1954-58 with<br>1925-29 = 100 |
|---|---------|---------|-----------------------------|-------------------------------|
|   | tons    | tons    | tons                        |                               |
| Agricultural  | 2.71    | 1.53    | 1.84                        | 68                            |
| Animal  | 0.33    | 0.21    | 0.12                        | 36                            |
| Mines   | 3.80    | 2.57    | 4.10<br>(3.52) <sup>a</sup> | 108<br>(93) <sup>a</sup>      |
| Forests   | 1.58    | 0.76    | 1.04                        | 66                            |
| Manufactures and<br>Miscellaneous<br>(Carload only) | 2.43    | 1.72    | 3.01                        | 124                           |
| Merchandise<br>(L.C.L.)                             | 0.45    | 0.20    | 0.13                        | 29                            |
| Total   | 11.30   | 6.99    | 10.26                       | 91                            |

Compiled from D.B.S. Summary of Monthly Railway  
Traffic Reports (annual) and its successor  
publication Railway Freight Traffic.

a. Excluding the iron ore traffic of the Quebec,  
North Shore and Labrador.

Statistics reveal that out of the six major  
classes of freight, agricultural, animal, mines, forest,  
manufactures including miscellaneous (carloads only),  
and merchandise, only two -- mines and manufactures in-  
cluding miscellaneous -- registered increases in traffic  
per head between 1925-29 and 1954-58. The mine products  
is an ambivalent case; if one excludes iron ore loaded  
on the Quebec, North Shore and Labrador which is clearly  
a special case (up to the present and, probably for a number  
of years to come, the owners of the line are, and will be,  
the only shippers over it. It is, therefore, closer in





1 nature to part of the plant facilities for the produc-  
2 tion of ore than it is to being a common carrier), then  
3 the traffic per head turns down and not up.

4 No such careful scrutiny is necessary to  
5 determine the trend of the railway passenger business.  
6 It is declining in quite extraordinary fashion, even  
7 though figures include commuter traffic around the  
8 major cities. (See Graph III, showing the number of  
9 passenger journeys per head of population, 1885-1958.)  
10 The all-time peak came before the first war and the  
11 figure for 1958 is lower than anything known since this  
12 series became available in 1875.

13 Railway passenger miles (see Graph IV) have  
14 been available from 1907. The 1958 figure of 146  
15 miles per capita is about one-half of the lowest figure  
16 in any year before the first war; and the decline is still  
17 unchecked.

18 The statistical record suggests that there has  
19 been a perceptible decline in the per capita volume of  
20 railway freight traffic and a very marked decline in the  
21 volume of passenger traffic. In terms of revenue as a  
22 proportion of our gross national product or total income  
23 the retrogression is even more marked. Whatever the  
24 railways may have been in their days of greatest power  
25 and influence, they are so no longer. There has been  
26 an irreversible change in their position in society  
27 in the last forty years; and there is no indication that  
28 this relative decline is now complete. Unless full  
29 account is taken of these trends, no sound recommendations  
30







1 for the future are possible.

2 Chapter IV:

3 The Nature and Causes of the Declining  
4 Importance of the Railways.

5 The preceding section demonstrated the extent  
6 of the decline of the railways in the last forty years  
7 and dated this movement as beginning in the second  
8 decade of this century. It remains to ask why the move-  
9 ment started then, and why it has since moved so fast.

10 The first thing which must be said is that the  
11 rise of motor competition did not initiate the decline,  
12 although it was later to have a profound effect. As a  
13 matter of fact, the commercial carriage of goods by road  
14 did not rise to significant levels until about 1928.  
15 It is therefore clear that it was not the pressure of  
16 motor competition which ended the growth in railway  
17 freight per head of population, in the period 1913-20.

18 Any attempt to explain this basic change is  
19 bound to be in some degree defective because it fails to  
20 do full justice to the intricacy of the causal factors  
21 involved; but the simplest explanation of a large part  
22 of it is that, up to the outbreak of the first war,  
23 Canada was growing, because it was doing more of the  
24 same kinds of things. It was growing more wheat and  
25 carrying larger herds of cattle and other animals; it  
26 was developing bigger exports of base metals, and so on.  
27 After the end of the war, it moved into a new dimension.  
28 It was no longer primarily a producer of raw materials  
29 for export, and was moving on to a fuller processing in  
30





1 a whole range of fields. Railway tonnage was, therefore,  
2 no longer so closely linked with the aggregate value of  
3 production as it formerly had been. To take a homely  
4 example, there are not hours of labour embodied in a car-  
5 load of newsprint than in a carload of lumber, and more  
6 in a truckload of radio tubes than in either of the  
7 other two. In any case, the growth of railway tonnage  
8 at a rate so much higher than that of the rest of the  
9 population just could not go on forever.

10  
11 In the railways' great period of growth there  
12 also developed certain factors which were, immediately,  
13 of minor importance but which became very important  
14 once competition was possible. The first of these was  
15 the tendency toward heavier capital investment, and the  
16 running of heavier and longer trains. There is no  
17 doubt whatever that this reduces direct costs; but it  
18 also involves indirect costs of no mean order. The  
19 making up and breaking of long trains in the initial  
20 and final terminals is not only expensive in itself;  
21 it also consumes a great deal of time. Holding  
22 traffic until a full trainload has been accumulated also  
23 reduces the value of service to the shipper. So long  
24 as shippers had no alternative, the rest of the economy  
25 was forced to adjust itself to the operating necessities  
26 of the railway. Traffic was delivered to the railway;  
27 eventually it was received by the consignee; but the  
28 intervening period of highly uncertain length was set  
29 so as to minimize the movement cost which the railway  
30 had to bear, not to maximize the value of the service.







1           It is probable that the community would have  
2 been better off if it could have had faster service on  
3 manufactured goods at higher average rates than were in  
4 fact charged; but under the conditions of the time atten-  
5 tion was riveted on the absolute level of railway rates,  
6 and the advantages of more flexible, better service in  
7 reducing inventories and in generally speeding up the  
8 whole circulation of the economy were not realistically  
9 perceived.

10           When motor truck competition came -- and it  
11 has on an immense scale -- it was more frequently in  
12 terms of service and not of price and it was gladly  
13 accepted because of its flexibility and speed.

14           A third factor which was of some importance in  
15 limiting the increase in traffic in the period of  
16 growth (and which also became much more important later)  
17 was a growing rigidity in the application of labour.  
18 There are good reasons for drawing a distinction  
19 between the operation of through main lines and the  
20 operation of feeder lines serving adjacent areas of  
21 the province. Rigidity and unalterable requirements  
22 and standards, an unnecessary involving of the degree  
23 of labour content, militate against the railways obtain-  
24 ing business and the workmen obtaining work. It is a  
25 self-defeating process and both management and labour  
26 ought to take a hard look at conditions which may be  
27 operating to circumscribe the railways' share of the  
28 growing volume of transportation business.

29           The most important factor of all has been left  
30





1 to the last, namely the nature of railway pricing.  
2 From the very beginning of railway operation, the prices  
3 charged for railway service had been a function of demand  
4 rather than of cost of service. There are many reasons  
5 for this. For one thing, railroads are a multi-product  
6 industry with a substantial body of common costs. It  
7 is difficult even now to find the full costs for any  
8 except the largest and most important movements. The  
9 accounting techniques of the development period were not  
10 adequate to do even that, and the necessary statistical  
11 techniques were not known at all.

12  
13 In the case of railways opening up new areas  
14 it is obvious that their capital costs began to accumu-  
15 late as soon as construction was completed, but  
16 traffic could only develop slowly. One way to make the  
17 operation finance itself was to set low rates on the  
18 outbound products in order to encourage early produc-  
19 tion along the line, and then to find an adequate net  
20 revenue by imposing high rates upon inbound supplies for  
21 the population tributary to it.

22 Value of service rates are sometimes considered  
23 beyond defense because they are incurably tainted by  
24 their origin in monopoly. A more balanced view recog-  
25 nizes that they were an essential part of the whole process  
26 of rapid economic development of this country, and in-  
27 deed, of this continent. Value of service rates can,  
28 of course, only be maintained under conditions of monopoly.  
29 Before 1920, there was no form of land transport which  
30 could compete with the railways except for the shortest





1 distances. There were very powerful pressures to keep  
2 the rates on the natural products low, or even to reduce  
3 them further. Under these circumstances the high end  
4 of the rate structure almost inevitably attained a quite  
5 remarkable degree of elaboration.

6 It was into this situation, made delicate by  
7 the drastic slowing-down of growth on the one side and  
8 the growing institutional rigidity on the other, that  
9 the development of automobiles and trucks and of hard-  
10 surfaced highways erupted with a devastating force.  
11 Suddenly, a community which had been compelled for so  
12 long to conform to the operating patterns of the  
13 railways, was given alternative transportation which  
14 was much more flexible and convenient. The fact  
15 that the cost might be higher was less important.  
16 Truck competition began on those shorter hauls and  
17 extra-highly-rated commodities which were most exposed,  
18 and gradually worked out to longer hauls and more  
19 moderately-rated commodities as motor trucks improved  
20 in their efficiency and as highways were brought up to  
21 higher physical standards.

22 Water-carriage of bulk commodities has also  
23 been gaining very greatly in relative efficiency. Pipe  
24 lines are now the preferred method for carrying fuel.  
25 Motor carriers are constantly increasing both the range  
26 of goods and the distances over which they are prepared  
27 to carry in competition with the railways. The private  
28 motor car and buses provide an alternative passenger  
29 service over shorter distances. The air carriers are  
30





1 now taking the cream of the long distance movement so  
2 that those passengers who are left are, in the main,  
3 those whose time is less valuable and who are least  
4 able to bear fare increases.

5 All these are fundamental changes in the  
6 structure of the Canadian economy. A constructive  
7 policy for the railways begins with a recognition of  
8 the present strength and growing importance of these new  
9 forces. If the railways are to be rebuilt and re-  
10 vitalized until they can contribute to the full to the  
11 continued growth and development of the whole country  
12 it must be in cooperation with these rising forces.

13 The Position of the Province of Ontario in  
14 Relation to the Railways:

15 The province of Ontario has the largest  
16 population of any province in Canada. It has within  
17 it the lines of the greatest density of any in Canada,  
18 and the average density of traffic is also the highest  
19 in the country. The traffic originating in Ontario  
20 produces revenues per car mile which are well above the  
21 national average. It is for those reasons that the  
22 province is concerned to speak out upon the general  
23 state of the railway industry. It has a very deep  
24 interest in the state of efficiency of the railways.  
25 They are essential to it; and its contribution to their  
26 revenue is specially important to them.

27 The density of traffic is not regularly re-  
28 ported on; but the charts contained in the submissions  
29 of Canadian National and Canadian Pacific railways to the  
30







1 Turgeon Commission (see submission of Canadian National  
2 Railways, Montreal: October 1949, Exhibit A, and  
3 Submission of Canadian Pacific Railway Company,  
4 Montreal: October, 1949, page 3. For the only previous  
5 comparable data see the Report of the Duff Commission,  
6 Ottawa: The King's Printer, 1932, pages 31-38) in 1949  
7 show the high relative density of the lines in Ontario  
8 at 1948 and there is no indication that that position  
9 has changed in the intervening years.

10  
11 What is more, the high proportion of merchan-  
12 dise and miscellaneous traffic in carload lots generated  
13 in Ontario is especially noteworthy, for this is the  
14 traffic which produces the highest revenues. The  
15 effect of this higher than average proportion of the  
16 most lucrative traffic can be demonstrated by computing  
17 a weighted average revenue per car mile using as weights  
18 the proportion of Ontario to total traffic in each  
19 commodity class and accepting the car mile earnings,  
20 by class, for all of Canada as shown in the Waybill  
21 Analysis, 1958.

22 Upon this basis, the average car mile revenue  
23 from traffic originating in Ontario is 58.08 cents,  
24 against a national average of 52.79 cents, or a spread in  
25 favour of Ontario of an even 10 per cent. If one uses  
26 the proportion of total traffic originated and received  
27 from connections as weights, the figures become 55.32 and  
28 53.51 cents respectively, or a spread of 3.4 per cent.

29 It is therefore clear that this is traffic of  
30 special value to the railways, partly because of its high





1 average density, partly because of its higher than  
2 average earnings per car mile.  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30







TABLE 2

Railway Freight Traffic Loaded at Stations in  
Ontario, and its Proportion to the National Totals,  
by Classes, 1925-29, 1935-39 and 1954-58 (1)

| Product<br>Class         | Loaded, tons, 000 omitted |         |         | Percentage of National Total |         |         |
|--------------------------|---------------------------|---------|---------|------------------------------|---------|---------|
|                          | 1925-29                   | 1935-39 | 1954-58 | 1925-29                      | 1935-39 | 1954-58 |
| Agricultural             | 5,166                     | 2,643   | 5,318   | 23.7                         | 19.3    | 21.6    |
| Animal                   | 673                       | 373     | 202     | 40.3                         | 29.7    | 16.5    |
| Mine                     | 6,060                     | 6,425   | 18,229  | 28.0                         | 30.6    | 32.4    |
| Forest                   | 3,753                     | 1,881   | 3,491   | 27.6                         | 24.7    | 23.2    |
| Mfg. & Misc.,<br>Carload | 6,055                     | 5,351   | 13,272  | 45.0                         | 46.3    | 38.0    |
| Merchandise -<br>L.C.L.  | 1,026                     | 590     | 593     | 35.3                         | 36.0    | 35.9    |
| Grand Total              | 22,733                    | 17,262  | 41,105  | 30.3                         | 30.4    | 30.7    |

TABLE 3

Total Railway Freight Traffic Loaded in and received from  
Foreign Connections in Ontario, and its Proportion to the  
National Totals, 1925-29, 1935-39 and 1954-58 (1)

| Product<br>Class         | Loaded, tons, 000 omitted |         |         | Percentage of National Total |         |         |
|--------------------------|---------------------------|---------|---------|------------------------------|---------|---------|
|                          | 1925-29                   | 1935-39 | 1954-58 | 1925-29                      | 1935-39 | 1954-58 |
| Agricultural             | 8,902                     | 5,074   | 9,501   | 34.1                         | 29.0    | 32.1    |
| Animal                   | 2,121                     | 1,341   | 869     | 66.7                         | 58.7    | 44.7    |
| Mine                     | 17,888                    | 11,677  | 24,293  | 43.8                         | 41.1    | 36.6    |
| Forest                   | 4,853                     | 2,384   | 4,696   | 31.8                         | 28.3    | 28.2    |
| Mfg. & Misc.,<br>Carload | 14,000                    | 11,282  | 23,850  | 59.8                         | 59.3    | 49.2    |
| Merchandise -<br>L.C.L.  | 2,074                     | 1,028   | 860     | 48.1                         | 45.4    | 41.9    |
| Grand Total              | 49,839                    | 32,786  | 64,070  | 45.7                         | 42.4    | 38.8    |

(1) D.B.S. Summary of Monthly Traffic Reports and its successor Railway  
Freight Traffic. Figures shown are annual averages.

TABLE 4

Estimated Revenue per Car - mile of the Car Load Freight Traffic  
Loaded at Stations in Ontario (2), 1954-1958

| Product<br>Class    | Percentage of Total<br>Freight Traffic of<br>Each Class Loaded in<br>Ontario | Average Revenue<br>Per Car Mile in<br>all Canada<br>(cents) | Product<br>Col. I x<br>Col. II |
|---------------------|--|---|--------------------------------|
| Agricultural        | 32.1   | 34  | 1091.4                         |
| Animal              | 44.7   | 43  | 1922.1                         |
| Mine                | 36.6   | 74  | 2708.4                         |
| Forest              | 28.2   | 51  | 1438.2                         |
| Merchandise & Misc. | 49.2   | 69  | 3394.8                         |
| Totals              | 190.8  |   | 10554.9                        |

$$\text{Average} = \frac{10554.9}{190.8} = 55.32 \text{ cents}$$

(2) Waybill analysis 1958.





1                   Tables 2 and 3 show the development of traffic  
2 in Ontario. Table 2 shows the freight traffic loaded  
3 at stations in Ontario; Table 3 shows the traffic loaded  
4 and received from foreign connections. In each the  
5 data are given for five-year averages. The years  
6 chosen are 1925-29 as the best part of the 1920's,  
7 1935-39 as the most nearly normal period in the 1930's,  
8 and 1954-58 as the most recent period. These two  
9 tables demonstrate clearly the amount of traffic  
10 generated by Ontario. Table 4 shows that on the  
11 basis of the Waybill Analysis in 1958 the average  
12 revenue per car mile on freight loaded at Ontario  
13 stations was 55.32 cents.

#### 14                   Some Observations on the Rate Structure.

15 It is inevitable, after a long period of time, par-  
16 ticularly when statutory rates apply to a substantial  
17 volume of railway traffic, that a thorough re-examina-  
18 tion of the whole railway rate structure would be re-  
19 quired. We are not sufficiently conversant with the  
20 complexities of the rate structure to contend that the  
21 rates charged for the movement of grain from western  
22 Canada are not compensatory. That is a decision the  
23 Commissioners themselves will wish to make. Repre-  
24 sentations have been made to us that the railways and  
25 the customers are being throttled by a complex unre-  
26 lated system of rates which has been built upon pallia-  
27 tives year after year and has had no relation to a  
28 realistic attempt to make our railways a paying and  
29 contributing factor in our economy. It appears,  
30







1 therefore, that one of the first considerations which  
2 you must face as sensible people is a comprehensive  
3 appraisal of our rate structure. We would point out  
4 that owing to inflationary effects, the revenue from grain  
5 traffic in terms of total revenue has been declining,  
6 while that from the transportation of other items has  
7 been increasing. For instance, over the years 1956-58  
8 the weighted average earnings per ton mile on the pro-  
9 ducts moved at statutory rates was 0.49 cents while that  
10 on all traffic was 1.52 cents and that on all traffic  
11 other than statutory was 2.02 cents. In terms of car  
12 mile earnings the weighted average results for the three  
13 years, 1956-59, were 26.38 cents on traffic moving at  
14 statutory rates, 53.84 cents on all traffic and 6.145  
15 cents on non-statutory traffic.  
16

17 The position of the railways is in one respect  
18 at least an unenviable one. On one hand they are  
19 subject to the limitations of the statutory rates on  
20 grain and flour and on another they are confronted with  
21 the aggressive competition of other carriers. (The  
22 following table gives an illustration of the rapid shift  
23 in percentage composition of revenues arising from the  
24 movement of traffic under different rate structures.  
25 The impact of competition on the freight rate structure  
26 is plain.)  
27  
28  
29  
30





Percentage Distribution of Aggregate  
Carload Freight Revenues of Canadian  
Railways, 1951-1958

| Year | Statutory<br>rates | Class<br>rates | Commodity<br>rates | Multiple<br>rates and<br>mixed(a)<br>shipments | Competitive<br>traffic at<br>agreed charge<br>and competi-<br>tive commodity<br>rates |
|------|--------------------|----------------|--------------------|--|---|
| 1951 | 11.1               | 21.0           | 50.8               | 4.9  | 12.2  |
| 1952 | 15.4               | 19.0           | 49.4               | 3.7  | 12.5  |
| 1953 | 17.1               | 14.5           | 45.1               | 6.1  | 17.2  |
| 1954 | 10.4               | 10.8           | 49.4               | 7.7  | 21.7  |
| 1955 | 8.9                | 10.2           | 45.0               | 7.2  | 28.7  |
| 1956 | 11.5               | 9.3            | 41.3               | 6.9  | 31.0  |
| 1957 | 9.9                | 9.4            | 41.4               | 6.5  | 32.8  |
| 1958 | 10.5               | 8.2            | 37.3               | 7.1  | 36.9  |

Source: Annual Report of the Board of Transport  
Commissioners, 1958 Appendix A.

(a) Based on the 1956-58 experience, about one-  
fifth of this column represents revenues from  
competitive traffic.

The rise of the trucking industry, the in-  
crease in water traffic, and the advent of big-inch pipe  
lines have brought incalculable benefits to business and  
to the people generally. These events have enabled our  
industries to exploit the advantages of specialization  
and the division of labour, which in turn have produced  
unit output costs comparing favourably with those of  
much larger industries in other countries serving a  
mass market. They have opened up new avenues of pro-  
gress. At the same time they have created a real







1 problem for the railways. In one field they are re-  
2 stricted by statutory rates and in another they are  
3 restrained by competition. In such circumstances  
4 there is a temptation for the railways to increase rates  
5 where the statutory limits do not apply and the competi-  
6 tion is less keen. This may create an injustice and  
7 an impediment to growth and development in northern  
8 Ontario and in some other parts of our province. As  
9 long as there is any cross subsidization in railway  
10 rates the burden is likely to fall upon those areas  
11 where geographical location and the character of their  
12 production tend to make them dependent upon the railway  
13 for service. Among the numerous factors which in-  
14 fluence economic activity and emphasize the importance  
15 of railway rates in such parts of the province are the  
16 following:  
17

18 (1) The products of the extractive industries  
19 are usually comparatively low in value,  
20 so that freight charges constitute a larger  
21 component of their delivered cost than for  
22 many products of the secondary manu-  
23 facturing industry.

24 (2) The remoteness of these areas tends to mag-  
25 nify freight costs in absolute terms.

26 (3) A lower density of roads and more rigorous  
27 climatic conditions make these areas more  
28 dependent on rail transportation.

29 (4) The fact that a large percentage of the  
30 output originating in these areas is





1                   exported, makes it imperative for their  
2                   primary industries to be able to compete in  
3                   world markets.

- 4           (5)   High transportation costs tend to inhibit  
5                   the development of the potential embodied  
6                   in the area's vast natural resources.

7                   A policy which penalizes progress and which  
8                   seeks by overcharging on the movement of goods on some  
9                   lines to compensate for loss on others will in the end  
10                  prove self-defeating.   Such a policy is economically  
11                  unsound and fails to make the most of our opportunities.  
12                  If there must be subsidization of some traffic we  
13                  suggest that it be not at the expense of other users  
14                  but that it be segregated and met out of the nation's  
15                  tax revenues.

16                               Conclusions and Recommendations:

17                   The basic argument of this submission is that  
18                   Ontario requires a modern, efficient, economical railway  
19                   service at rates that are non-discriminatory to any  
20                   part of Ontario and that, as far as possible, are  
21                   realistic and reasonable in relation to the cost of  
22                   service.   In this advocacy we are contending for sound  
23                   principles and common sense.   It is our view that  
24                   with the passage of time the nearly total monopoly of  
25                   land transport which the railways once had, has  
26                   crumbled away beneath them.   Without its support, a  
27                   value of service rate structure is a device for shunting  
28                   traffic over to the railways' competitors or where  
29                   competition is not so keen for charging rates in excess  
30







1 of reasonable costs; and without the high rates formerly  
2 earned upon the commodities of higher value, the pattern  
3 of employment and the spread of lines across the country  
4 must both come in for reconsideration.

5 If this deduction is correct, then there are  
6 three actions of major importance which flow from it.  
7 The first is that railways are now compelled to scruti-  
8 nize all rates which produce low earnings per car mile.  
9 (The object is to increase the profit earned. High  
10 car mile earnings are more likely to produce this result  
11 than high earnings per ton mile. Neither one is, by  
12 itself, a perfect guide. All that is inferred here  
13 is that car mile earnings, considered alone, are better  
14 than ton mile earnings.) In some instances it may be  
15 desirable for the railways to establish a low rate in  
16 order to promote the development of an industry which  
17 will subsequently be quite a different matter from  
18 having a structure of rates which year after year is main-  
19 tained at a level which no longer conforms to current  
20 conditions. The area in which the railways could off-  
21 set very low rates on some commodities by charging high  
22 rates on others has become much smaller; and any effort  
23 to expand it merely increases the inroads of com-  
24 petitors into what was once, and is no longer, ex-  
25 clusively railway traffic. Cross-subsidization of this  
26 sort, i.e. the charging of above-cost rates on some  
27 items in order to compensate for below-cost rates on  
28 others, is no longer possible on the scale of past  
29 years and where it does exist it not only arouses  
30





1 feelings of inequity and injustice but may hobble  
2 growth and development in a completely unjustifiable  
3 way.

4           The second consequence is that the whole pat-  
5 tern of railway costs must come under deep scrutiny. The  
6 old situation in which rates could be worked upward to  
7 cover rising costs is gone. The problem is one of  
8 meeting the competitor's costs. Materials as well as  
9 labour costs are involved. As the weighted average  
10 payroll charged to operating expenses (note that this  
11 is not the total direct operating payroll. At least  
12 part of the cost of storekeeping is charged out to  
13 expense as cost of material) in 1956-58 was 57.3 per  
14 cent of railway gross earnings this factor inevitably  
15 has a bearing on the railways' competitive position.

16           Thirdly we think that ways and means should be  
17 more intensively explored to achieve greater operating  
18 flexibility and a speed-up of service. The railways,  
19 as any other industry, must change with the time or  
20 atrophy. We are cognizant that in recent years many  
21 important steps have been taken to improve service and  
22 meet competition from other carriers. We are by no  
23 means convinced that the rate of adaptation and moderni-  
24 zation has been as rapid as it might have been. In  
25 saying that we recognize that the railway, as any other  
26 economic instrument, must be able to earn a reasonable  
27 return on its investment. Only in this way can it  
28 remain vigorous and play the role in the Canadian  
29 economy that is expected of it.  
30







1           Your honourable Commission has been called  
2 into being to consider the consequences to railway  
3 transportation of the great -- even tumultous -- changes  
4 which have been proceeding in the Canadian economy over  
5 the past twenty to forty years. And being assigned  
6 that task, you were given certain specific terms of  
7 reference. In our concluding remarks we will address  
8 ourselves specifically to the subject matter that has  
9 been referred to you. To that task we now turn.

- 10           (a) Inequities in the freight rate structure,  
11               their incidence upon the various regions of  
12               Canada, and the legislative and other  
13               changes that can and should be made,  
14               in furtherance of national economic policy  
15               to remove or alleviate such inequities.

16           The most serious inequities in the rate  
17 structure at the present time are those which flow from  
18 attempts to enjoy the benefits of a value of service  
19 rate structure when changes in the Canadian economy  
20 have destroyed the basis on which it once rested. The  
21 adequacy of a rate structure is determined by its effect  
22 upon the development of the country and on the railways'  
23 own revenues, not by the degree of internal consistency  
24 which it attains. It should be a response by the  
25 railways to the nature of the economy as it exists and  
26 is developing.

27           If, for reasons of national policy, low rates  
28 must be given on some traffics, the railways should not  
29 -- and in many cases cannot -- offset them by raising  
30





1 rates on other traffics.

2 Since the area of manoeuvre is now so narrow,  
3 and since low rates on some traffics have been in effect  
4 for a long time, we are ready to contemplate the use  
5 of subsidies to meet the current problem; but we do  
6 suggest that if subsidies have to be given, their annual  
7 amounts should be publicly recorded. The ideal situa-  
8 tion is one in which each major trade and each economic  
9 region sits like a good tub on its own bottom. Any  
10 departure from that rule should be limited, known and  
11 open to measurements.

12 Second, Ontario has no option but to state its  
13 opposition to any actions which would tend to cramp its  
14 growth. In so doing it serves the national interest  
15 through increasing the national income, wealth and  
16 power.

17 Third, the Province is impressed by the number  
18 of complaints which it has received about the burden  
19 of horizontal percentage increases in freight rates.  
20 Under most circumstances transportation costs are likely  
21 to be a larger part of their total laid down cost where  
22 markets are distant than where they are close.

23 If railway rates go up unreasonably, the  
24 producer selling in the distant market may find himself  
25 deeply hurt and may even be forced out of the market  
26 by his competitor located close to it who may hardly  
27 notice the change. Rate increases predicated on a  
28 rise in the real cost of the traffic involved can  
29 be justified; others would serve to Balkanize Canada and  
30







1 this is a trend we should all resist. We recommend this  
2 aspect of rate changes to the study of the Commission.

3 The development of the whole northern and  
4 northwestern part of Ontario is now being cramped by these  
5 two forces. The railways, having freedom of action only  
6 in respect of a portion of their total rate structure,  
7 are compelled to recoup themselves where they can, even  
8 if it be by rates in that area which either retard or  
9 prevent the development of new traffic and which tend  
10 to drive away a substantial share of existing traffic.  
11 Ontario people will not wish to sit idly by while the  
12 disparity between the rates on the staple exports of  
13 the prairie west and of northwestern Ontario grow wider  
14 and wider. It appears to us that some of the rates in  
15 northern and indeed southwestern Ontario are being main-  
16 tained at levels higher than those made available to  
17 other shippers for comparable distances, though they are  
18 contrary to the railways' own best long-run interests:  
19 there is a reluctance to sacrifice the immediate revenue,  
20 even though it would strengthen the railways' long term  
21 position.  
22

23 The historic value of service rate structure  
24 no doubt had its shortcomings, but it is useless now  
25 to argue either for or against it. The fact is that  
26 general economic change has rendered it largely obsolete.  
27 The real problem is how to move to something much  
28 closer to a cost of service basis which will conserve  
29 existing traffic and help to develop additional traffic.  
30





1 (b) The obligations and limitations imposed  
2 upon railways by law for reasons of public  
3 policy, and what can and should be done to  
4 ensure a more equitable distribution of any  
5 burden which may be found to result there-  
6 from.  
7

8 The power which was taken to regulate railway  
9 rates at the beginning of the present century was founded  
10 upon the principle that it was control over the prices  
11 to be set by a monopoly. Regulation was designed to  
12 prevent both undue discrimination between persons, be-  
13 tween places, and between commodities on the one hand,  
14 and an excessive level of profit upon the other. We  
15 confess to a strong sympathy for the first form of  
16 regulation. There are occasions when individuals may  
17 feel themselves aggrieved and they should have a recog-  
18 nized forum where their case can be heard. However,  
19 we believe that account should be taken of the truly  
20 extraordinary rise in the amount of competition which the  
21 railways face and efforts should be made to maintain a  
22 high degree of initiative, enterprise and efficiency.

23 That basic shift in relative power must be  
24 recognized. Rate relationships which would, in the  
25 past, have been unquestioningly regarded as evidence of  
26 discrimination, are now merely proof that the new com-  
27 petition has brought into existence a new pattern of  
28 relative advantage. Under this new structure of  
29 transportation costs a new and different industrial  
30 pattern will be created.







1                   There has been a partial stagnation in the  
2 railway industry as traffic has been lost to other  
3 carriers and the railways have been prevented from  
4 making those dynamic responses which alone can keep  
5 them strong.

6           (c)     The possibilities of achieving more economic  
7 and efficient railway transportation.

8                   What has been said under the preceding head  
9 and in other parts of this brief applies with great  
10 force here as well. The economy has changed. Rail-  
11 ways have very great advantages as mass carriers; they  
12 are at a serious disadvantage in what can only be  
13 described as retail transportation. The productivity  
14 of the national economy would be increased if they were  
15 made free to respond to the new situation as well as  
16 they are able. They should rise to the challenge  
17 and develop services of greater value to the country  
18 than they now give.

19           (d)     Whether, and to what extent, the Railway  
20 Act should specify what assets and earnings of  
21 railway companies in businesses and invest-  
22 ments other than railways should be taken  
23 into account in establishing freight rates.

24                   The Province of Ontario would urge upon the  
25 Commission the inescapable fact that such a reconstruc-  
26 tion of railway assets and railway service as is here  
27 recommended cannot be produced by compulsion. It is  
28 going to need a very substantial gross capital forma-  
29 tion to bring it about. There must therefore be a  
30



reasonable chance of obtaining a return upon the invested capital in order to provide the incentive and justification for making that investment.

(e) Such other related matters as the Commissioners consider pertinent or relevant to the specific or general scope of the inquiry. The whole aim and purpose of this submission is to lend the weight of this province to support a wise and constructive national railway policy; one looking toward the future and not one condemned to futility because it tries to recreate a past which is gone forever. Such a policy must rely upon the pervasive discipline of the price system. Subsidies may be employed in special cases. But they are not an appropriate instrument because they will tend to harden resistance to rather than facilitate necessary changes.

# APPENDIX I

## Statistical Tables

Table A - Revenue Freight Traffic Carried by Canadian Railways, 1875-1958

Table B - Revenue Freight Ton-Miles Produced by Canadian Railways, 1907-1958

Table C - Passengers Carried and Passenger-Miles Produced by Canadian Railways, 1875-1958

Graph I - Tons of Freight Carried by Canadian Railways (Duplication Included) per Head of Population, 1885-1958







- 1 Graph II - Tons of Freight Carried by Canadian  
2 Railways (Duplications Excluded) per  
3 Head of Population  
4  
5 Graph III - Railway Passenger Journeys in Canada, per  
6 Head of Population, 1885-1958  
7  
8 Graph IV - Railway Passenger-Miles per Head of  
9 Population, 1909-1958  
10

11 APPENDIX I

12 The text above having reduced the statistical  
13 detail to the minimum, it remains for this appendix to  
14 fill in the detail so that the results may be available  
15 in full.

16 Table II reports the details of freight  
17 carried from the year ended June 30, 1875, to the one  
18 ended December 30, 1958. (The Canadian railway statis-  
19 tics are reported for years ending June 30, 1875 to 1919  
20 and ending December 31, 1919 to date.) Columns I to  
21 III show:

22 I tons of freight originating on Canadian Lines, 1910-

23 II tons of freight originating on Canadian Lines  
24 plus tons received from foreign connections,  
25 1913-, and

26 III total tons carried including duplication, that  
27 is double-counting traffic interchanged be-  
28 tween Canadian Lines, 1875-

29 Columns IV to VI show these data, on a per  
30 head of population basis, so as to make them directly  
comparable over time. The official estimates of



1 population for each year are as at June 1. Therefore  
2 in order to produce a figure which is centred at the  
3 middle of the reporting year for the railway data a correc-  
4 tion must be made. In the period 1875-1919 the correc-  
5 tion is made as follows:

6 Population, June 1, 1874 -- 3,895,000

7 1875 -- 3,954,000

8 difference 59,000

9 Therefore the population as at December 31, 1874, is  
10 3,895,000 plus  $7/12$  of 59,000 = 3,929,000, and so for  
11 each later year.  
12

13 For the years ending December 31, it is, of  
14 course, only necessary to add an increment of  $1/12$  the  
15 annual increase to move the reported population forward  
16 to the middle of the calendar year.

17 Column III is the only one of the three series  
18 which covers the great period of growth before 1914 and  
19 there is, therefore, a special interest in it, despite  
20 the fact that it includes duplication in amounts which  
21 can not be determined, before 1913. When a second order  
22 curve is fitted to the logarithms of the quinquennial  
23 averages of such traffic, per head of population  
24 (column VI), the equation comes out as follows:

25  $\log Y_c = +0,294607 + 0.0284507X - 0.000246821X^2$

26 with origin at December 30, 1876, and time (X) in units  
27 of one year. This is the curve which is superimposed  
28 upon Graph I in the text. This is probably best  
29 treated as a purely descriptive curve rather than as  
30 one from which forecasts can be made:





1 however the downward inclination of the postwar period  
2 is very clear in it.

3 Columns IV and V which show freight originated  
4 on Canadian Lines and total freight carried, duplication  
5 excluded, respectively, qualify that extremely pessi-  
6 mistic impression. They show that the railways may be  
7 nearly holding their own in freight originated, although  
8 the peak in 1956 is strictly due to iron ore loadings  
9 on the Quebec North Shore and Labrador.

10 Table 12 supplements this by showing the num-  
11 ber of ton miles of revenue freight service produced by  
12 the railways of Canada in total and per head of population.  
13 Here there is clearly a significant increase. The  
14 problem of the railways is not in the demand for their  
15 service, it is in the changes in its nature and in their  
16 earnings from the service they do render.

17 The statistics of railway passenger travel are  
18 rather simpler in nature. It is not possible to separ-  
19 ate out the duplication caused by interline movement,  
20 nor to show the interchange with foreign connections.  
21 Any passenger carried by any railway is reported as  
22 such, by each one, whether his journey is completed on  
23 the originating line or extends over two or more.  
24 While one is entitled to speculate on the tendency of  
25 such a report to produce an exaggerated impression of  
26 a reduction in the number carried when the number of  
27 separate lines decreases, the only qualification to  
28 that impression that can be offered is that no such  
29 variation can be detected in the statistical record  
30





1 when the Canadian National Railways was formed.

2 In any case, one has a record of the number  
3 of passengers carried, including whatever duplication  
4 exists, and of the number of revenue passenger-miles  
5 produced. The record from the year ending June 30,  
6 1875, to the calendar year 1958 for passengers carried  
7 and for the years ending June 30, 1907, to 1958 for  
8 passenger-miles is given on Table 13.  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30







TABLE A

REVENUE FREIGHT TRAFFIC CARRIED BY CANADIAN  
RAILWAYS, 1875 - 1958

| Year                         | Total Tons (thousands)             |   |                                   | Tons Per Head of Population        |   |                                   |
|------------------------------|------------------------------------|---|-----------------------------------|------------------------------------|---|-----------------------------------|
|                              | Originated<br>on Canadian<br>Lines | Originated<br>plus received<br>from foreign<br>Connection | Total<br>Including<br>Duplication | Originated<br>on Canadian<br>Lines | Originated<br>plus received<br>from foreign<br>Connection | Total<br>Including<br>Duplication |
| Years to<br>June 30,<br>1875 |                                    |   | 5,671                             |                                    |   | 1.44                              |
| 76                           |                                    |   | 6,332                             |                                    |   | 1.59                              |
| 77                           |                                    |   | 6,860                             |                                    |   | 1.70                              |
| 78                           |                                    |   | 7,884                             |                                    |   | 1.92                              |
| 79                           |                                    |   | 8,349                             |                                    |   | 2.01                              |
| 80                           |                                    |   | 9,939                             |                                    |   | 2.35                              |
| 81                           |                                    |   | 12,065                            |                                    |   | 2.81                              |
| 82                           |                                    |   | 13,576                            |                                    |   | 3.12                              |
| 83                           |                                    |   | 13,266                            |                                    |   | 3.01                              |
| 84                           |                                    |   | 13,712                            |                                    |   | 3.07                              |
| 85                           |                                    |   | 14,659                            |                                    |   | 3.25                              |
| 86                           |                                    |   | 15,670                            |                                    |   | 3.43                              |
| 87                           |                                    |   | 16,356                            |                                    |   | 3.55                              |
| 88                           |                                    |   | 17,173                            |                                    |   | 3.69                              |
| 89                           |                                    |   | 17,929                            |                                    |   | 3.81                              |
| 90                           |                                    |   | 20,788                            |                                    |   | 4.37                              |
| 91                           |                                    |   | 21,753                            |                                    |   | 4.52                              |
| 92                           |                                    |   | 22,190                            |                                    |   | 4.56                              |
| 93                           |                                    |   | 22,004                            |                                    |   | 4.48                              |
| 94                           |                                    |   | 20,721                            |                                    |   | 4.18                              |
| 95                           |                                    |   | 21,524                            |                                    |   | 4.30                              |
| 96                           |                                    |   | 24,267                            |                                    |   | 4.80                              |
| 97                           |                                    |   | 25,300                            |                                    |   | 4.96                              |
| 98                           |                                    |   | 28,786                            |                                    |   | 5.59                              |
| 99                           |                                    |   | 31,212                            |                                    |   | 5.99                              |
| 1900                         |                                    |   | 35,946                            |                                    |   | 6.81                              |
| 01                           |                                    |   | 36,999                            |                                    |   | 6.93                              |
| 02                           |                                    |   | 42,376                            |                                    |   | 7.79                              |
| 03                           |                                    |   | 47,373                            |                                    |   | 8.48                              |
| 04                           |                                    |   | 48,098                            |                                    |   | 8.36                              |
| 05                           |                                    |   | 50,894                            |                                    |   | 8.58                              |
| 06                           |                                    |   | 57,967                            |                                    |   | 9.57                              |
| 07                           |                                    |   | 63,866                            |                                    |   | 10.17                             |
| 08                           |                                    |   | 63,071                            |                                    |   | 9.65                              |
| 09                           |                                    |   | 66,842                            |                                    |   | 9.93                              |
| 1910                         | 42,280                             |   | 74,483                            | 6.12                               |   | 10.78                             |
| 11                           | 55,152                             |   | 79,884                            | 7.86                               |   | 11.39                             |
| 12                           | 63,187                             |   | 89,444                            | 8.64                               |   | 12.33                             |
| 13                           | 56,829                             | 85,708  | 106,993                           | 7.56                               | 11.40   | 14.23                             |
| 14                           | 57,874                             | 81,427  | 101,394                           | 7.44                               | 10.48   | 13.04                             |
| 15                           | 49,258                             | 71,498  | 87,205                            | 6.20                               | 9.01  | 10.98                             |
| 16                           | 62,950                             | 89,237  | 109,659                           | 7.87                               | 11.15   | 13.71                             |
| 17                           | 67,134                             | 98,465  | 121,916                           | 8.35                               | 12.25   | 15.17                             |
| 18                           | 68,386                             | 102,425   | 127,544                           | 8.43                               | 12.63   | 15.72                             |
| 19                           | 63,557                             | 95,202  | 116,700                           | 7.70                               | 11.54   | 14.15                             |





| Total Tons (thousands) |                                    |   |                                   | Tons Per Head of Population        |   |                                   |
|------------------------|------------------------------------|---|-----------------------------------|------------------------------------|---|-----------------------------------|
| Year                   | Originated<br>on Canadian<br>Lines | Originated<br>plus received<br>from foreign<br>Connection | Total<br>Including<br>Duplication | Originated<br>on Canadian<br>Lines | Originated<br>plus received<br>from foreign<br>Connection | Total<br>Including<br>Duplication |
| Years to<br>Dec. 31    |                                    |   |                                   |                                    |   |                                   |
| 1919                   | 61,023                             | 91,350  | 114,488                           | 7.32                               | 10.97   | 13.38                             |
| 20                     | 65,096                             | 100,050   | 127,429                           | 7.59                               | 11.67   | 14.86                             |
| 21                     | 55,324                             | 83,731  | 103,131                           | 6.29                               | 9.52  | 11.72                             |
| 22                     | 61,048                             | 87,309  | 108,530                           | 6.84                               | 9.78  | 12.16                             |
| 23                     | 67,888                             | 102,259   | 118,290                           | 7.53                               | 11.34   | 13.11                             |
| 24                     | 63,518                             | 91,600  | 106,429                           | 6.94                               | 10.00   | 11.62                             |
| 25                     | 65,692                             | 94,625  | 109,851                           | 7.06                               | 10.17   | 11.80                             |
| 26                     | 72,276                             | 105,222   | 122,477                           | 7.63                               | 11.11   | 12.94                             |
| 27                     | 74,764                             | 106,011   | 125,967                           | 7.74                               | 10.98   | 13.05                             |
| 28                     | 84,750                             | 118,653   | 141,230                           | 8.60                               | 12.04   | 14.34                             |
| 29                     | 79,997                             | 115,087   | 137,855                           | 7.96                               | 11.46   | 13.73                             |
| 30                     | 67,928                             | 96,194  | 115,230                           | 6.65                               | 9.41  | 11.27                             |
| 31                     | 53,099                             | 74,130  | 85,993                            | 5.11                               | 7.14  | 8.28                              |
| 32                     | 44,632                             | 60,808  | 67,722                            | 4.24                               | 5.78  | 6.44                              |
| 33                     | 41,983                             | 57,364  | 63,635                            | 3.95                               | 5.39  | 5.98                              |
| 34                     | 50,353                             | 68,036  | 75,746                            | 4.68                               | 6.33  | 7.05                              |
| 35                     | 50,526                             | 69,141  | 77,081                            | 4.66                               | 6.37  | 7.10                              |
| 36                     | 54,828                             | 75,847  | 84,665                            | 5.00                               | 6.92  | 7.73                              |
| 37                     | 59,404                             | 82,220  | 92,478                            | 5.37                               | 7.44  | 8.37                              |
| 38                     | 56,829                             | 76,175  | 84,664                            | 5.09                               | 6.82  | 7.59                              |
| 39                     | 63,064                             | 84,631  | 94,577                            | 5.59                               | 7.50  | 8.39                              |
| 40                     | 73,174                             | 97,948  | 110,354                           | 6.42                               | 8.60  | 9.69                              |
| 41                     | 86,124                             | 116,808   | 134,054                           | 7.48                               | 10.14   | 11.16                             |
| 42                     | 92,137                             | 134,674   | 155,646                           | 7.90                               | 11.54   | 13.34                             |
| 43                     | 100,477                            | 153,314   | 177,266                           | 8.51                               | 12.98   | 15.01                             |
| 1944                   | 106,444                            | 155,326   | 177,381                           | 8.90                               | 12.99   | 14.83                             |
| 45                     | 104,149                            | 147,349   | 167,757                           | 8.61                               | 12.19   | 13.88                             |
| 46                     | 98,777                             | 139,256   | 160,617                           | 8.02                               | 11.31   | 13.04                             |
| 47                     | 108,930                            | 152,856   | 175,565                           | 8.66                               | 12.16   | 13.96                             |
| 48                     | 112,768                            | 154,933   | 176,740                           | 8.76                               | 12.03   | 13.73                             |
| 49                     | 108,560                            | 142,719   | 162,292                           | 8.06                               | 10.60   | 12.05                             |
| 50                     | 108,147                            | 144,218   | 164,359                           | 7.87                               | 10.50   | 11.96                             |
| 51                     | 121,836                            | 161,260   | 184,363                           | 8.68                               | 11.48   | 13.13                             |
| 52                     | 125,336                            | 162,175   | 185,057                           | 8.65                               | 11.19   | 12.77                             |
| 53                     | 119,986                            | 156,249   | 176,752                           | 8.06                               | 10.50   | 11.88                             |
| 54                     | 109,855                            | 143,195   | 162,470                           | 7.17                               | 9.35  | 10.60                             |
| 55                     | 131,409                            | 167,862   | 188,530                           | 8.35                               | 10.67   | 11.99                             |
| 56                     | 156,518                            | 189,608   | 214,078                           | 9.71                               | 11.76   | 13.28                             |
| 57                     | 143,349                            | 174,044   | 196,891                           | 8.62                               | 10.47   | 11.84                             |
| 58                     | 129,238                            | 153,442   | 174,200                           | 7.57                               | 8.98  | 10.20                             |





TABLE B

REVENUE FREIGHT TON-MILES PRODUCED BY  
CANADIAN RAILWAYS, 1907 - 1958

| Year to<br>June 30 | Total<br>Ton Miles<br>(Millions) | Per Head of<br>Population | Year to<br>Dec. 31 | Total<br>Ton Miles<br>(Millions) | Per Head of<br>Population |
|--------------------|----------------------------------|---------------------------|--------------------|----------------------------------|---------------------------|
| 1907               | 11,688                           | 1,861                     | 29                 | 35,026                           | 3,487                     |
| 08                 | 12,962                           | 1,983                     | 30                 | 29,605                           | 2,896                     |
| 09                 | 13,161                           | 1,956                     | 31                 | 25,707                           | 2,475                     |
| 10                 | 15,712                           | 2,274                     | 32                 | 23,137                           | 2,199                     |
| 11                 | 16,048                           | 2,287                     | 33                 | 21,093                           | 1,982                     |
| 12                 | 19,558                           | 2,674                     | 34                 | 23,320                           | 2,169                     |
| 13                 | 23,033                           | 3,062                     | 35                 | 24,235                           | 2,233                     |
| 14                 | 22,063                           | 2,837                     | 36                 | 26,414                           | 2,410                     |
| 15                 | 17,661                           | 2,225                     | 37                 | 26,926                           | 2,436                     |
| 16                 | 28,195                           | 3,524                     | 38                 | 26,835                           | 2,404                     |
| 17                 | 31,187                           | 3,881                     | 39                 | 31,465                           | 2,790                     |
| 18                 | 31,029                           | 3,826                     | 40                 | 37,898                           | 3,327                     |
| 19                 | 27,724                           | 3,360                     | 41                 | 49,982                           | 4,339                     |
|                    |                                  |                           | 42                 | 56,154                           | 4,813                     |
|                    |                                  |                           | 43                 | 63,915                           | 5,413                     |
| Years to Dec. 31   |                                  |                           |                    |                                  |                           |
| 1919               | 26,951                           | 3,235                     |                    |                                  |                           |
| 20                 | 31,894                           | 3,720                     | 1944               | 65,928                           | 5,514                     |
| 21                 | 26,622                           | 3,026                     | 45                 | 63,349                           | 5,240                     |
| 22                 | 30,368                           | 3,402                     | 46                 | 55,310                           | 4,492                     |
| 23                 | 34,068                           | 3,777                     | 47                 | 60,143                           | 4,783                     |
| 24                 | 30,514                           | 3,333                     | 48                 | 59,080                           | 4,589                     |
| 25                 | 31,965                           | 3,435                     | 49                 | 56,338                           | 4,183                     |
| 26                 | 34,153                           | 3,608                     | 50                 | 55,538                           | 4,043                     |
| 27                 | 34,902                           | 3,615                     | 51                 | 64,300                           | 4,578                     |
| 28                 | 41,611                           | 4,224                     | 52                 | 68,430                           | 4,720                     |
|                    |                                  |                           | 53                 | 65,267                           | 4,386                     |
|                    |                                  |                           | 54                 | 57,547                           | 3,756                     |
|                    |                                  |                           | 55                 | 66,176                           | 4,206                     |
|                    |                                  |                           | 56                 | 78,820                           | 4,889                     |
|                    |                                  |                           | 57                 | 71,047                           | 4,273                     |
|                    |                                  |                           | 58                 | 66,357                           | 3,885                     |





TABLE C

PASSENGERS CARRIED AND PASSENGER-MILES  
PRODUCED BY CANADIAN RAILWAYS, 1875-1958

| Year to<br>June 30 | Passengers<br>Carried<br>(thousand) | Passengers<br>Carried per<br>Head of<br>Population | Passenger-<br>Miles<br>(Million) | Passenger-<br>Miles per<br>Head of<br>Population |
|--------------------|-------------------------------------|--|----------------------------------|--|
| 1875               | 5,190                               | 1.32   |                                  |  |
| 76                 | 5,545                               | 1.39   |                                  |  |
| 77                 | 6,073                               | 1.50   |                                  |  |
| 78                 | 6,444                               | 1.57   |                                  |  |
| 79                 | 6,524                               | 1.57   |                                  |  |
| 80                 | 6,463                               | 1.53   |                                  |  |
| 81                 | 6,944                               | 1.62   |                                  |  |
| 82                 | 9,352                               | 2.15   |                                  |  |
| 83                 | 9,580                               | 2.17   |                                  |  |
| 84                 | 9,982                               | 2.24   |                                  |  |
| 85                 | 9,673                               | 2.14   |                                  |  |
| 86                 | 9,861                               | 2.16   |                                  |  |
| 87                 | 10,699                              | 2.32   |                                  |  |
| 88                 | 11,417                              | 2.45   |                                  |  |
| 89                 | 12,151                              | 2.58   |                                  |  |
| 90                 | 12,821                              | 2.69   |                                  |  |
| 91                 | 13,228                              | 2.75   |                                  |  |
| 92                 | 13,533                              | 2.78   |                                  |  |
| 93                 | 13,618                              | 2.77   |                                  |  |
| 94                 | 13,984                              | 2.82   |                                  |  |
| 95                 | 12,521                              | 2.50   |                                  |  |
| 96                 | 13,059                              | 2.58   |                                  |  |
| 97                 | 13,742                              | 2.69   |                                  |  |
| 98                 | 14,767                              | 2.87   |                                  |  |
| 99                 | 15,451                              | 2.97   |                                  |  |
| 1900               | 17,122                              | 3.25   |                                  |  |
| 01                 | 18,386                              | 3.44   |                                  |  |
| 02                 | 20,680                              | 3.80   |                                  |  |
| 03                 | 22,149                              | 3.97   |                                  |  |
| 04                 | 23,641                              | 4.11   |                                  |  |
| 05                 | 25,289                              | 4.26   |                                  |  |
| 06                 | 27,990                              | 4.62   |                                  |  |
| 07                 | 32,137                              | 5.12   | 2,050                            | 320  |
| 08                 | 34,045                              | 5.21   | 2,082                            | 314  |
| 09                 | 32,683                              | 4.86   | 2,033                            | 299  |
| 10                 | 35,895                              | 5.19   | 2,467                            | 357  |
| 11                 | 37,098                              | 5.29   | 2,606                            | 371  |
| 12                 | 41,124                              | 5.62   | 2,910                            | 398  |
| 13                 | 46,186                              | 6.14   | 3,266                            | 434  |
| 14                 | 46,702                              | 6.01   | 3,089                            | 397  |
| 15                 | 46,322                              | 5.83   | 2,484                            | 313  |
| 16                 | 43,503                              | 5.44   | 2,727                            | 341  |
| 17                 | 48,107                              | 5.99   | 3,150                            | 392  |
| 18                 | 44,949                              | 5.54   | 3,161                            | 390  |
| 19                 | 43,754                              | 5.30   | 3,075                            | 373  |
| Years to Dec. 31.  |                                     |  |                                  |  |
| 1919               | 47,940                              | 5.75   | 3,658                            | 439  |
| 20                 | 51,318                              | 5.99   | 3,522                            | 411  |
| 21                 | 46,793                              | 5.32   | 2,961                            | 336  |
| 22                 | 44,384                              | 4.97   | 2,814                            | 315  |
| 23                 | 44,834                              | 4.97   | 3,076                            | 341  |
| 24                 | 42,922                              | 4.69   | 2,872                            | 314  |
| 25                 | 41,458                              | 4.65   | 2,911                            | 313  |
| 26                 | 42,686                              | 4.51   | 2,999                            | 317  |
| 27                 | 41,841                              | 4.33   | 3,052                            | 316  |
| 28                 | 40,593                              | 4.12   | 3,141                            | 319  |
| 29                 | 39,071                              | 3.89   | 2,897                            | 288  |
| 30                 | 34,699                              | 3.39   | 2,423                            | 237  |







| 4  | Years to<br>Dec. 31 | Passengers<br>Carried<br>(thousand) | Passengers<br>Carried per<br>Head of<br>Population | Passenger-<br>Miles<br>(Million) | Passenger-<br>Miles per<br>Head of<br>Population |
|----|---------------------|-------------------------------------|--|----------------------------------|--|
| 5  | 31                  | 26,397                              | 2.54   | 1,748                            | 168  |
| 6  | 32                  | 21,100                              | 2.01   | 1,436                            | 136  |
|    | 33                  | 19,172                              | 1.80   | 1,393                            | 131  |
|    | 34                  | 20,531                              | 1.91   | 1,531                            | 142  |
| 7  | 35                  | 20,032                              | 1.85   | 1,585                            | 146  |
|    | 36                  | 20,498                              | 1.87   | 1,726                            | 158  |
|    | 37                  | 22,039                              | 1.99   | 1,929                            | 175  |
| 8  | 38                  | 20,911                              | 1.87   | 1,783                            | 160  |
|    | 39                  | 20,482                              | 1.82   | 1,752                            | 155  |
|    | 40                  | 21,970                              | 1.93   | 2,176                            | 191  |
| 9  | 41                  | 29,779                              | 2.59   | 3,206                            | 278  |
|    | 42                  | 47,597                              | 4.08   | 4,989                            | 428  |
| 10 | 43                  | 57,176                              | 4.84   | 6,525                            | 553  |
|    | 44                  | 60,336                              | 5.05   | 6,873                            | 575  |
|    | 45                  | 53,408                              | 4.42   | 6,380                            | 530  |
|    | 46                  | 43,405                              | 3.52   | 4,649                            | 378  |
| 11 | 47                  | 40,941                              | 3.26   | 3,733                            | 297  |
|    | 48                  | 38,280                              | 2.97   | 3,477                            | 270  |
| 12 | 49                  | 34,884                              | 2.59   | 3,193                            | 237  |
|    | 50                  | 31,139                              | 2.27   | 2,816                            | 205  |
|    | 51                  | 30,996                              | 2.21   | 3,110                            | 221  |
| 13 | 52                  | 30,167                              | 2.08   | 3,151                            | 217  |
|    | 53                  | 28,736                              | 1.93   | 2,986                            | 201  |
|    | 54                  | 28,397                              | 1.85   | 2,863                            | 187  |
| 14 | 55                  | 27,230                              | 1.73   | 2,892                            | 184  |
|    | 56                  | 26,071                              | 1.62   | 2,908                            | 180  |
|    | 57                  | 22,966                              | 1.38   | 2,925                            | 176  |
| 15 | 58                  | 21,376                              | 1.25   | 2,486                            | 146  |

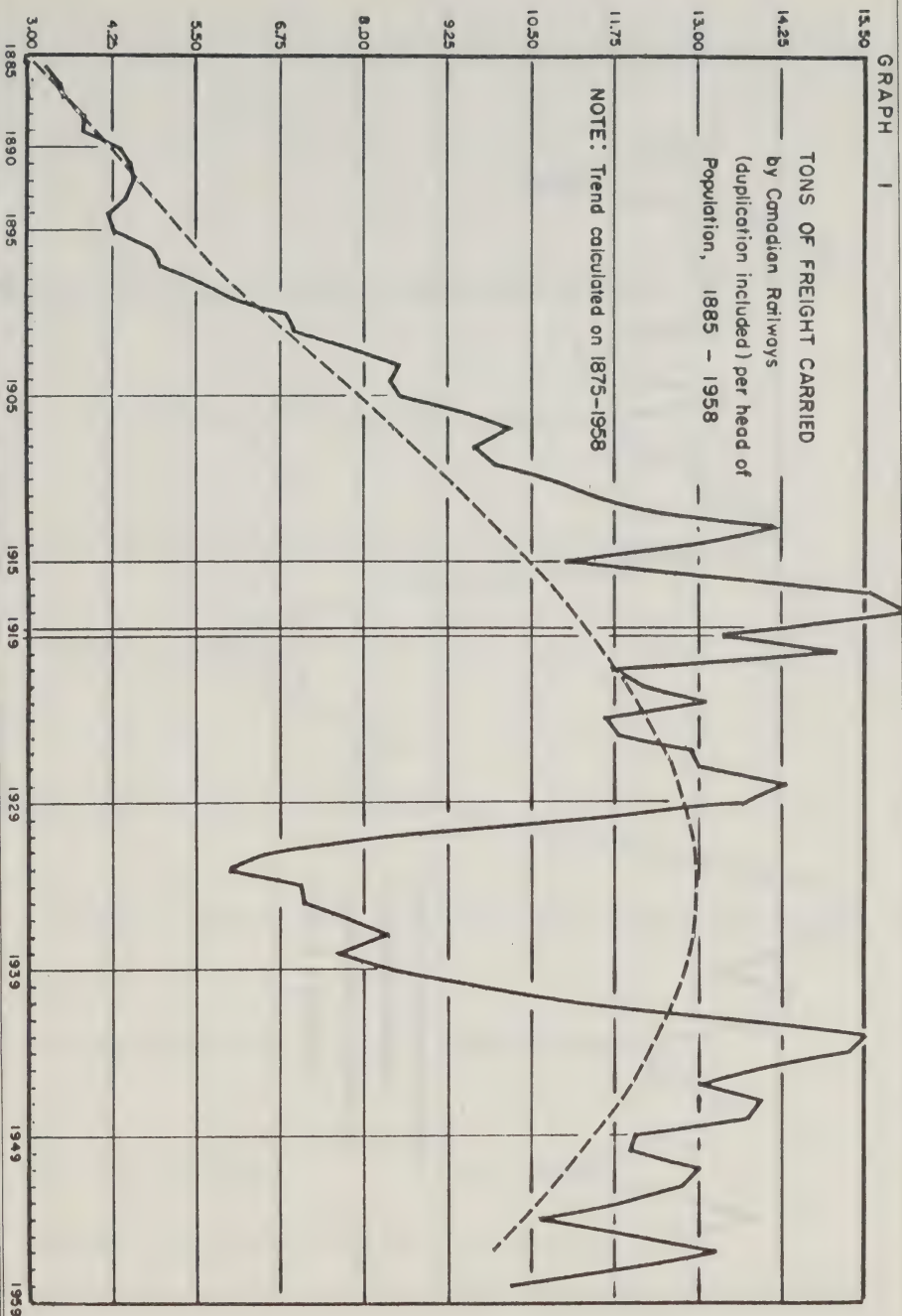




GRAPH 1

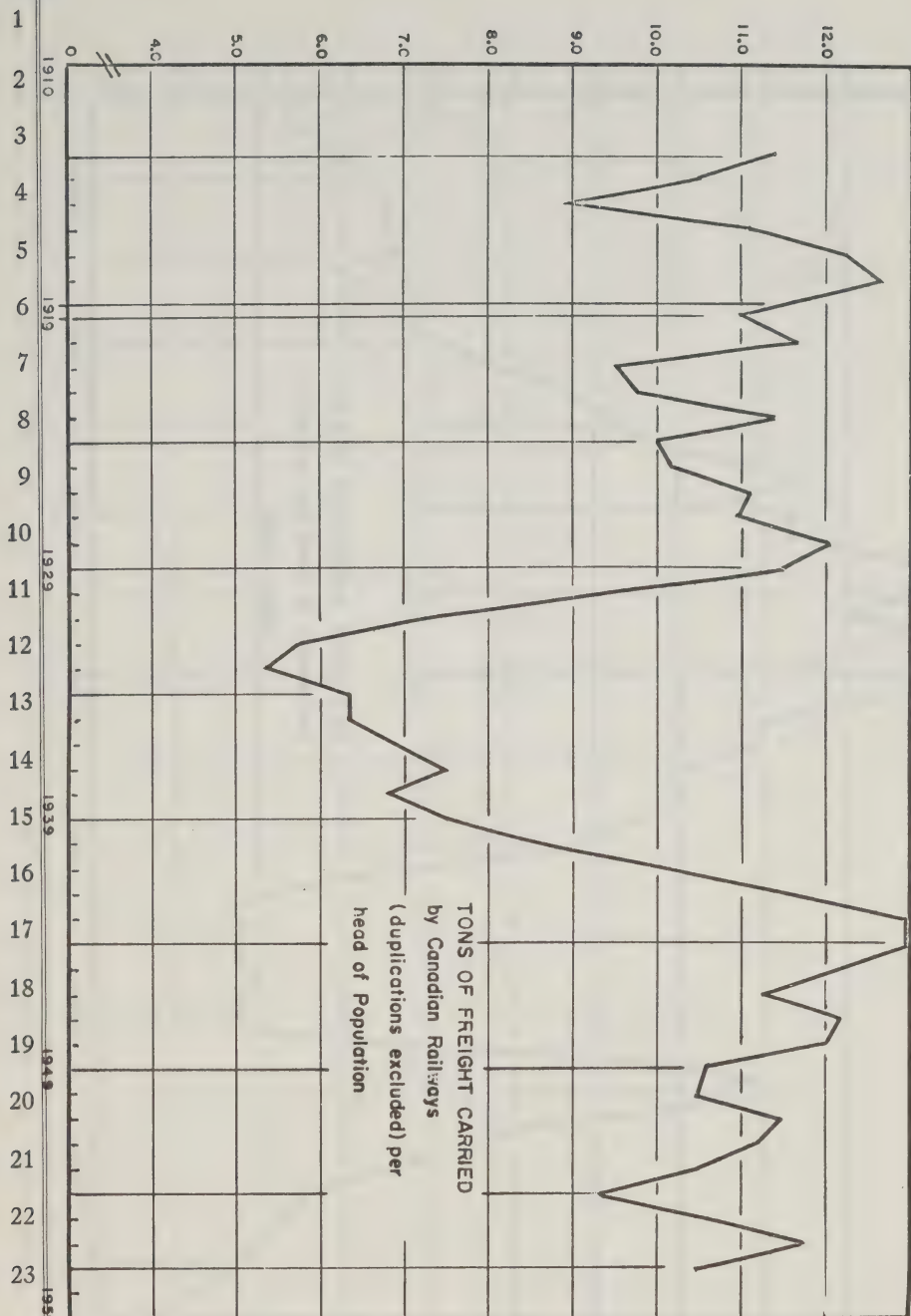
NOTE: Trend calculated on 1875-1958

TONS OF FREIGHT CARRIED  
by Canadian Railways  
(duplication included) per head of  
Population, 1885 - 1958

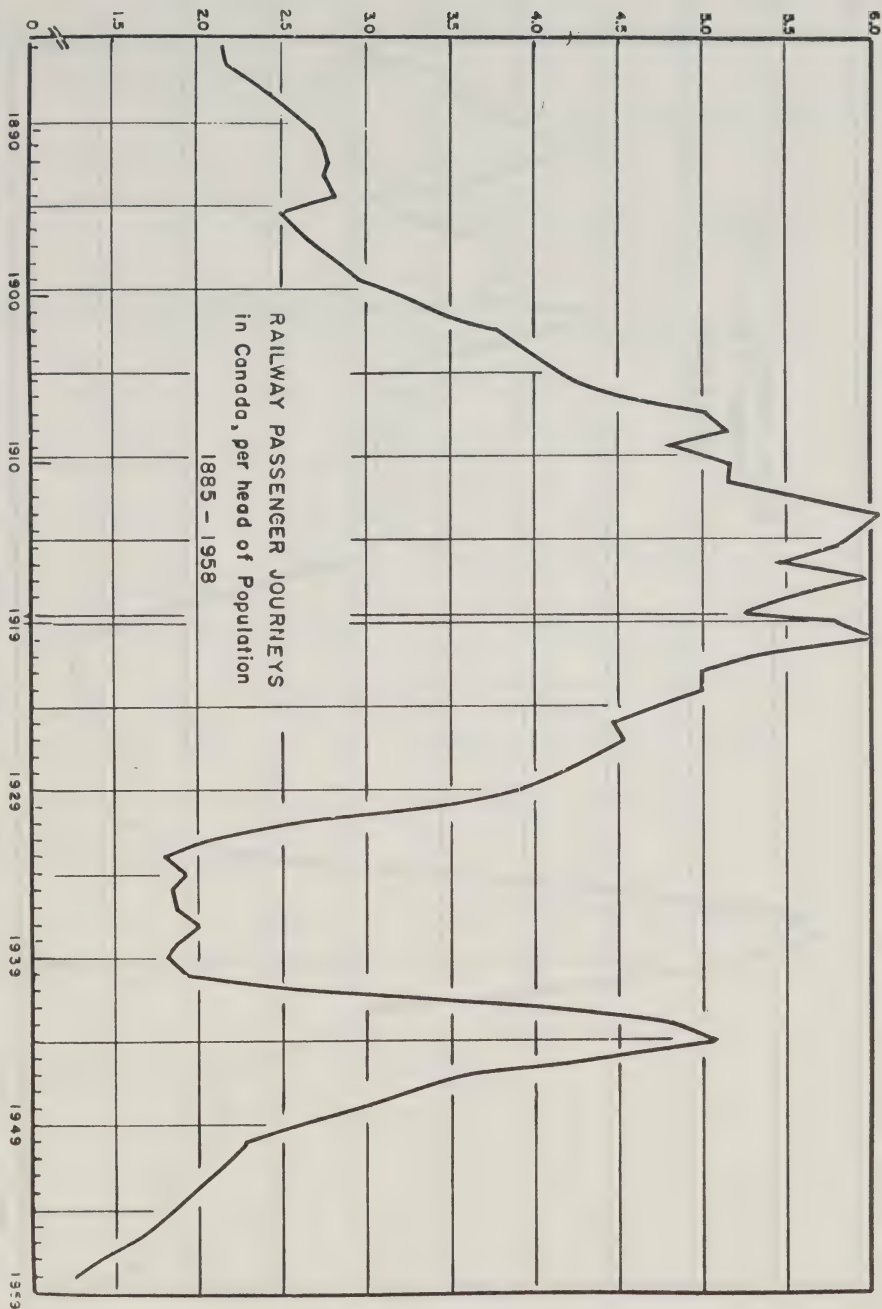
















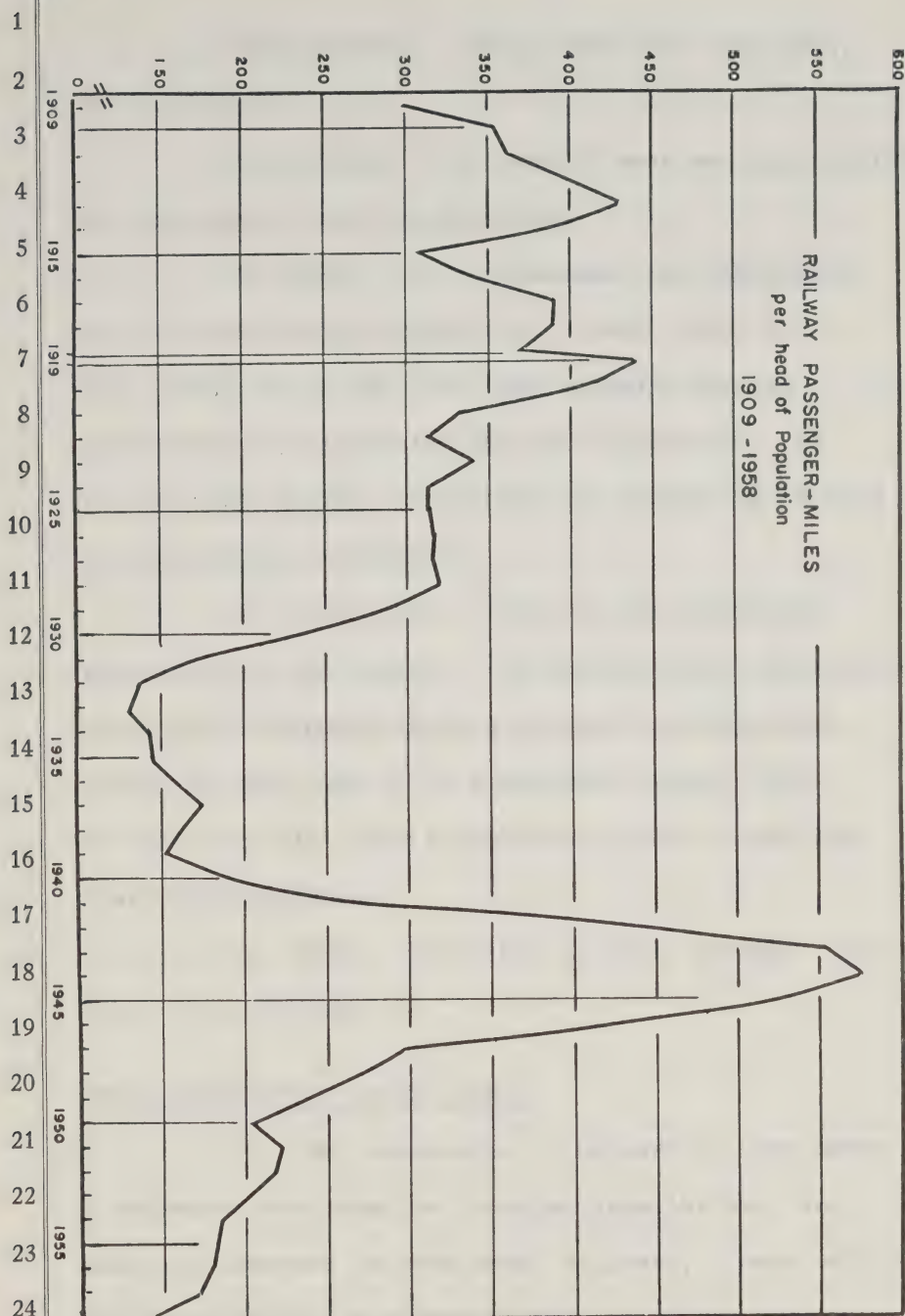


ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Gathercole

7159

GRAPH IV







1 THE CHAIRMAN: Well, thank you very much,  
2 Mr. Gathercole.

3 MR. CUMMING: In view of what was said earlier,  
4 Mr. Chairman, I have no questions.

5 MR. HUME: Do I understand Mr. Gathercole  
6 will be definitely available at a later time, or is  
7 this likely to be the last time we would have an  
8 opportunity of discussing the brief with him? Is  
9 the Province making a submission in Ottawa, or is this  
10 the provincial submission?

11 MR. GATHERCOLE: This is the provincial  
12 submission at the moment. If matters arise later upon  
13 which the Government decides further representation  
14 should be made, and it is considered likely, then  
15 the Province will make a submission later on and fur-  
16 ther representation.

17 MR. HUME: With that in mind, perhaps I may  
18 take a few minutes.

19  
20 CROSS-EXAMINATION BY MR. HIME:

21 Q. Mr. Gathercole, I believe you are aware  
22 I represent the Canadian Trucking Associations, and  
23 while my interest in your brief is great, I have only  
24 had a short while in which to have an opportunity to  
25 study it. I notice on page 6, and throughout your  
26 brief, you refer to a railway transportation policy:  
27 may I take it, sir, that as I read the brief, am I  
28 correct in understanding that you have attempted in  
29 this submission to confine yourself to particular rail-  
30 way problems without going into the broader field of







1 a national transportation policy?

2 A. Yes, Mr. Hume. The terms of reference  
3 to the Commission were on railway rate matters, and,  
4 therefore, while we made some explorations into other  
5 fields, we felt in the end it would be advisable to  
6 confine it to the railways.

7 Q. Fine. I thought probably, from reading  
8 it, that that was your intention. You would agree, I  
9 suppose, though, that notwithstanding the apparent  
10 limitation of the terms of reference that this Commission  
11 is probably faced with the wider field in making recom-  
12 mendations for a national transportation policy that  
13 will involve other matters than strictly rail matters?

14 A. Yes.

15 Q. I take it your submission is an attempt  
16 to confine the Province's views to the matter of rail  
17 problems?

18 A. Exactly.

19 Q. On page 13 -- and here again I have only  
20 just had an opportunity of reading it briefly -- it is  
21 a matter of some interest to me that your analysis indi-  
22 cated the decline you have categorized was not alto-  
23 gether brought about by the invention of the internal  
24 combustion engine and its adaption to the wagon. How-  
25 ever, in Ontario in particular, would you say, from  
26 your studies, that the advent of the highway system and  
27 the advent of the motor trucks has brought a very pro-  
28 found change in transportation matters, perhaps more so  
29  
30





ANGUS. STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Gathercole, cr-ex  
(Hume)

7162

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

than almost in any other part of Canada; would you go  
that far with me?







1 A. That would be my own impression.

2 MR. MACDOUGALL: I would agree.

3 MR. HUME: Q. That has resulted in  
4 some of the problems you have indicated so clearly in  
5 your brief. It is one of the pincers of the squeeze,  
6 so to speak, that you refer to somewhere further on.

7 Now, in order to get the record clear, you  
8 speak of truck competition. I presume you are in-  
9 cluding any other competition, the ability of the  
10 shipper to provide his own figure, and this competition  
11 in the broad field -- anyone who can move their own  
12 goods in a truck; is that correct?

13 A. Yes.

14 Q. You have made some reference on page 22  
15 to the matter of subsidies. May I ask this question?  
16 While this is not referred to directly, it would be of  
17 some interest to my clients to have your views on this  
18 if you could express them. You indicate the possible  
19 necessity for a subsidy. Would it be the province's  
20 view that any subsidies required to be paid for, say,  
21 the movement of a commodity, that that should be paid  
22 to all carriers, or should it be a railway subsidy  
23 only?

24 A. That is a very difficult question. I  
25 take it it could be answered only after an examination  
26 based on the merits of each individual case.

27 Q. Your reference to subsidy in your brief,  
28 that appears on page 22, and then I find you refer to  
29 it again on page 27 -- you had in mind there, I suppose,  
30





1 the railway as the chosen instrument for a particular  
2 movement and that the subsidy would be paid to the rail-  
3 way?

4 A. I think, Mr. Hume, we have recognized that  
5 subsidies are now being paid, and we recognize that auto-  
6 matically they are going to continue to be paid. So we  
7 feel that it is going to continue as part of the system  
8 of railway transportation. It has not entered to my  
9 knowledge the field of truck transportation, and if it  
10 did it would involve a consideration of an entirely  
11 different matter, which is entirely beyond my competence  
12 to make any statement on.

13 Q.. May I ask whether your reference to sub-  
14 sidies in the brief was prepared in the light of the  
15 accepted fact that whenever a subsidy is to be paid it  
16 will be paid to the railway alone?

17 A. Yes, I think that would be it.

18 THE CHAIRMAN: Mr. Ferris?

19 MR. FERRIS: No questions.

20 THE CHAIRMAN: Mr. Mauro?

21 MR. MAURO: I am wondering, sir, whether the  
22 Commission is going to make any decision. This portion  
23 of the brief is an exceedingly complex and difficult  
24 matter, and a very excellent submission, I may say.  
25 We received it approximately two hours ago, and I recall  
26 in Saskatoon, or in Regina, the Commission decided to  
27 ask the representative of the City of Saskatoon to  
28 come down to Ottawa, so that counsel would have an  
29 opportunity in the intervening period.  
30







1 THE CHAIRMAN: Do I understand you are making  
2 that request now?

3 MR. MAURO: I was wondering whether the  
4 Commission would do that. I certainly do not feel I  
5 can do a proper job of cross-examination in the time  
6 that I have had the brief.

7 THE CHAIRMAN: We only had the brief ourselves  
8 last night, and we have not discussed it.

9 MR. MAURO: I understood that Premier Frost  
10 was making an opening statement, and I assumed that  
11 either Mr. Gathercole or Professor McDougall would be  
12 coming to Ottawa, in which case I have no questions at  
13 this time. If Professor McDougall and Mr. Gathercole  
14 are not coming to Ottawa ---

15 THE CHAIRMAN: There is certainly some point  
16 to what you say, Mr. Mauro, but I do not want to put Mr.  
17 Gathercole or Mr. McDougall to the necessity of coming  
18 to Ottawa, but might I suggest that we stand down now  
19 and come back tomorrow at nine-thirty and that will  
20 give you and Mr. Frawley an opportunity to study it.

21 MR. MAURO: That would be for our convenience,  
22 and I would not preclude the possibility ---

23 THE CHAIRMAN: You may be there, but in case  
24 you are not, we had better continue here tomorrow.

25 MR. McDONALD: I think it is a shame that the  
26 Commission allowed a week for Quebec and did not allow  
27 a whole week for sitting here. We have not had time  
28 to study the brief. I wired a week ago for some copies  
29 of the brief of the Province of Ontario. We sent a  
30





1 number of copies of our material to the province a  
2 month in advance. We cannot be expected to cross-  
3 examine on a brief tomorrow morning. That is not  
4 enough time.

5 THE CHAIRMAN: You will appreciate that we  
6 have done as a Commission everything possible to get the  
7 briefs in the hands of the counsel.

8 MR. McDONALD: I think the only way to do it  
9 is to insist that the people who do not give us their  
10 briefs should come to Ottawa, because we have not the  
11 time to do it here.

12 MR. SINCLAIR: There is some material in this  
13 brief. Fortunately, I flew in here yesterday via  
14 Canadian Pacific Airlines and got here on time and,  
15 having done so, I received a copy of the brief, and my  
16 friends and I spent some considerable time on it last  
17 night. I think it is unfortunate that this brief  
18 should go in while there is some statistical material  
19 in it that I would like at this time to deal with, be-  
20 cause there are certain implications in this brief that  
21 I think Mr. Gathercole or Professor McDougall and I  
22 might agree are open to different interpretations, that  
23 some people might put on them, and I think it is indeed  
24 unfortunate a matter as important as the submission of  
25 the Province of Ontario to have this implication going  
26 on that some of this material does indicate -- for  
27 instance, that the railways are a declining industry --  
28 and I think there is something for us to talk about  
29 there, and maybe some of their own data that will enable  
30







1 to draw quite a different conclusion. I think,  
2 therefore, that it is unfortunate that we did not get  
3 the brief. I particularly feel for my friend. I  
4 sat up a little late and read it and considered it. It  
5 is too bad that this results in its being released  
6 without the ability to test it and without the very  
7 frank statement of Mr. Gathercole, that if we could  
8 draw something to his attention that he had overlooked  
9 he would be quite willing and indeed eager to take that  
10 into consideration and modify any statements that he  
11 has made in relation to it. These are practical con-  
12 siderations.

13  
14 THE CHAIRMAN: Would it be much inconvenience  
15 to you to be cross-examining at Ottawa?

16 MR. SINCLAIR: I am objecting to cross-  
17 examining in Ottawa. I am suggesting that we go as far  
18 as we can or else that the brief be held in camera,  
19 until such time as it is subjected to testing. I  
20 couple that with the others, that in addition, in view  
21 of the short time that it was at our disposal, that  
22 in addition he should come to Ottawa.

23 THE CHAIRMAN: Mr. Sinclair, that is quite  
24 impossible. As a matter of fact, the brief is now  
25 embalmed in the record, and I am sure the press have it.

26 MR. SINCLAIR: When it was suggested to me  
27 that there would not be cross-examination, I indicated  
28 to you, sir, that, if we were not to be allowed to test  
29 it at this time, as far as I was concerned, in the light  
30 of the interests of my client -- and I am quite sure we





1 do not wish to have any special advantage or anything  
2 like that -- that the president of the Canadian National,  
3 the president of the Canadian Pacific, gave their material  
4 long in advance and stood cross-examination immediately  
5 following their brief, and I think it is too bad ---

6 THE CHAIRMAN: It is quite true what you have  
7 said to me, and it is also true, as you said, that the  
8 press has the full story.

9 MR. SINCLAIR: Yes, but the press do not  
10 release matters until there is a ruling by the Commis-  
11 sion. I am quite sure the press in a matter of this  
12 kind do not release things. At least, I would be sur-  
13 prised if they did.

14 MR. GATHERCOLE:

15 I may, however, say that representatives of  
16 the Canadian Pacific Railway did have copies last  
17 Friday afternoon.

18 MR. SINCLAIR: Well, it got to me on Sunday  
19 evening. Mr. Chairman, I say that possibly the best  
20 practical way to do this, if you would agree, sir, and  
21 in view of what Mr. Gathercole has said -- the press  
22 has got this, and we must be realistic about this --  
23 maybe I could proceed, and then, if I cannot finish,  
24 then my friends also at some later time can cross-  
25 examine, and Mr. Gathercole might come to Ottawa at  
26 that time.

27 THE CHAIRMAN: I think, in fairness to Mr.  
28 Mauro -- and I presume Mr. Frawley would be in the same  
29 position -- that they should not be required to cross-  
30 examine tomorrow morning.







1 MR. FRAWLEY: I have something to say about  
2 this brief, but it is of a different character from what  
3 Mr. Mauro has said. I think it is an excellent brief.  
4 I would not ask a single question about it. A great  
5 deal of the analogy that this brief draws as regards the  
6 question in Ontario could very easily be extended to  
7 the area from the lakehead to the mountains, with  
8 respect to horizontal increases, with respect to dis-  
9 proportionate contributions to overhead, with respect  
10 to value of service as against the cost of service. I  
11 compliment my friend Mr. Gathercole and his associates,  
12 one of whom, I understand, was Professor McDougall,  
13 whom we have seen in Royal Commissions before. I  
14 say it is an excellent brief and, unless my instructions  
15 are changed, I would not propose to cross-examine about  
16 it. I simply commend the Province of Ontario on a  
17 very good brief.  
18

19 MR. SINCLAIR: I think it is necessary to  
20 clarify some of the issues in this brief.

21 THE CHAIRMAN: You want to cross-examine now?

22 MR. SINCLAIR: I shall do the best I can, with  
23 the understanding that we will have the benefit, in view  
24 of the short time we have had this and particularly in  
25 view of the position taken by Mr. McDonald and Mr.  
26 Mauro -- notwithstanding the position taken by Mr.  
27 Mauro that Mr. Gathercole would come to see us in  
28 Ottawa at a later date -- as well as assisting the  
29 Commission with what questions I can put to him now.

30 THE CHAIRMAN: Let us examine him now or in







1 Ottawa, one or the other.

2 MR. SINCLAIR: I would like to go as far as I  
3 can now.

4 MR. MAURO: Either we are all going to do it  
5 now or not.

6 THE CHAIRMAN: I think Mr. Sinclair will do it  
7 now, and we will ask that we adjourn and you can go  
8 on tomorrow morning.

9 MR. MAURO: I feel that in fairness to Mr.  
10 Gathercole it should be one or the other.

11 THE CHAIRMAN: He can proceed, and I am quite  
12 sure, knowing him, he will take the rest of the afternoon.

13  
14 CROSS-EXAMINATION BY MR. SINCLAIR:

15 Q. Mr. Gathercole, I do not know whether some  
16 of these questions should be addressed to you or to your  
17 colleague Professor McDougall, but if it is not to you  
18 perhaps he will answer it.

19 A. Yes.  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 Q. Now, first on page 9 you state that the  
2 problem of the railways -- this is the end of the second  
3 paragraph -- " . . . conditions have been greatly  
4 changed, they are still operating under many of the old  
5 rules established before World War I, which are no longer  
6 tenable." And then on page 30 -- would you just turn  
7 to page 30 -- I couple that statement with the statement,  
8 the last sentence of the second paragraph on page 30,  
9 which reads:

10 "The problem of the railways is not in the  
11 demand for their service, it is in the changes  
12 in its nature and in their earnings from the  
13 service they do render."

14 Then so that I can put it all before you at one time, on  
15 page 23 -- and I think this is a further expansion of  
16 something that was spoken of by the Prime Minister  
17 earlier this afternoon -- just about the middle of the  
18 second paragraph, it says:

19 "On the other hand, this is quite a  
20 different matter from having a structure of  
21 rates which year after year is maintained at a  
22 level which no longer conforms to current con-  
23 ditions."

24 A. I thought, Mr. Sinclair, that the Prime  
25 Minister had gone over this very extensively and you  
26 had developed it rather well with him and that he had  
27 given you a rather forthright answer to it.

28 Q. Well, to some degree you are quite right,  
29 Mr. Gathercole, but when I tried to put it together as I  
30







1 have now done with you I was told that you were the man  
2 to answer it, and maybe, therefore, I can put this to you.  
3 In view of the fact of those statements that I have taken  
4 from y9ur submission and to which you have spoken, in  
5 view of the fact that the railways of Canada are re-  
6 quired to move over 32 per cent of their revenue ton  
7 miles and receive for that movement only about 10 per  
8 cent of their revenues, how would you expect their  
9 earnings not to be as you describe them on page 30,  
10 that it is their earnings rather than the demand for their  
11 services that is causing the trouble, and in particular  
12 where that traffic relationship that I mentioned to you  
13 moves at a rate level that was fixed in 1899, how would  
14 you expect, in the light of those facts, that the railways  
15 would be in any different position than you describe it  
16 on page 30?

17  
18 A. Well, Mr. Sinclair, the answer to your  
19 question is set out in several places in this submission.

20 Q. For instance?

21 A. That is that there should be, we believe  
22 there should be a realistic structure of rates. Now,  
23 there may be some cases where service must be continued  
24 to be provided because the public interest is involved,  
25 but I think our position is that it is a mistake to go  
26 on with operations year after year if they are not meeting  
27 costs. I think that sets it out. But there may be  
28 cases, exceptions from the general principle, and,  
29 similarly, in the development of the resources I think  
30 the railways must look at the potential of our country,





1 and where their business can be developed I think the  
2 railways should be prepared perhaps to set a rate  
3 which is going to result in the development or expansion  
4 of the resources.

5 Q. Let me put this to you quite bluntly.  
6 In view of the fact that grain moving to export posi-  
7 tions in western Canada moves at a rate that was fixed  
8 in 1899 and hadn't been increased since and that the  
9 railways are not able to increase it and that the  
10 traffic moving under that rate is 32 per cent of their  
11 total revenue ton miles, is this a specific area that  
12 you have in mind when you say if the national interest  
13 requires it some action should be taken? Is that  
14 specifically one that you had in mind?

15 A. There again, Mr. Sinclair, I think we  
16 have stated in this brief that -- I will read it to you:

17 "We are not sufficiently conversant with  
18 the complexities of the rate structure to contend  
19 that the rates charged for the movement of grain  
20 from western Canada are not compensatory."

21 And then you go on?

22 A. Yes, then we go on. We do say that the  
23 whole structure of rates should be re-examined, and I  
24 am very much in favour of that.

25 Q. Let me put this to you specifically. If  
26 that re-examination does show that grain moving to  
27 export positions at the existing rates is not giving  
28 the railways just and reasonable remuneration, is that  
29 a specific area that you would feel should be subsidized  
30







1 in the national interest?

2 A. Well, that is a difficult question for me  
3 to answer. I would say this, that in accordance with  
4 the principle that I believe to be sound, I think if it  
5 is demonstrated conclusively that the railways are not  
6 getting sufficient revenue from the movement of any  
7 traffic, if that can be demonstrated, and that this is  
8 a continuing thing year after year, then I believe there  
9 should be some compensation for it in one way or another  
10 because, after all, the railways presumably must get  
11 their revenue from some source. We do not believe it  
12 is sound economics to endeavour to recoup that loss  
13 from some traffic by inflated rates on other traffic.  
14

15 Q. Mr. Gathercole, would your thinking be  
16 affected in relation to this matter of recoupment if in  
17 some area where there was a loss the railways were  
18 free to take action to alleviate the loss or eliminate it  
19 but in another area they were not so free? Would  
20 that affect your thinking? I am speaking to you as  
21 an economist now.

22 A. Yes. This forms part and parcel of  
23 perhaps a re-examination or re-assessment of the whole  
24 rate structure, and that would be one of the factors  
25 that would have to be considered.

26 Q. It is my fault, I know, but you and I are  
27 not communicating, but possibly if you don't want to  
28 answer my question, maybe you should do so. Let me  
29 put it to you again. Would the fact that the railways  
30 in one instance were prevented from taking any action







1  
2 and in another case may be able to alleviate or discon-  
3 tinue the loss affect your thinking about what should  
4 be done?

5 A. Well, this is a very difficult question  
6 because of the whole history of rate making, and through  
7 the course of time the structure of rates has evolved  
8 and we think there should be a re-assessment of this  
9 rate structure, and that should be a matter for this  
10 Royal Commission to suggest itself. It is not up to  
11 us in Ontario to suggest the remedies for this. We  
12 have set forth certain principles which we believe to  
13 be sound. We believe it to be the function of the  
14 Royal Commission to make these recommendations, to make  
15 the studies and the examinations and evolve the solutions.

16 Q. One of those matters that you say is a  
17 matter of principle, and therefore you think that the  
18 rate structure should be re-examined is a statement you  
19 make in a number of places, and that is to the effect  
20 that the value of service pricing is no longer applicable.

21 MR. McDOUGALL: It is not an absolute black or  
22 white, it is the range within which it is possible to  
23 do so is growing narrower.

24 MR. SINCLAIR: Q. So where you say on page  
25 15, the third paragraph:

26 "Value of service rates are sometimes con-  
27 sidered beyond defence because they are incurably  
28 tainted by their origin in monopoly"  
29 that is not what you mean; what you mean is a full  
30 range of value concept, charging whatever you can get,





1 only can operate under monopoly.

2 MR. McDOUGALL: Yes.

3 MR. SINCLAIR: Q. But you do recognize  
4 and you would support that value of service pricing  
5 in fixing rail rates should continue between the limit  
6 of competing rates, rates of a competing mode of  
7 transportation as the ceiling, possibly, and the floor  
8 being the variable cost of providing the service, within  
9 that range?

10 MR. McDOUGALL: Yes.

11 Q. Value of service pricing should be  
12 applicable?

13 MR. McDOUGALL: Yes. I think that is the way  
14 in which you get the maximum use of the physical facilities.  
15

16 Q. And it is only by getting the maximum  
17 use of the physical facilities that you get the optimum  
18 and lowest unit cost. You would agree with that?

19 MR. McDOUGALL: Yes.

20 Q. Now, therefore, in light of the answer  
21 of your right hand, Mr. Gathercole, would you please  
22 then turn your mind to the question that I would put  
23 to you then again. In view of the fact that in one  
24 instance the railways have no power to adjust their  
25 rates, namely, the movement of grain to export positions,  
26 and in other cases they are free to do so, would that  
27 affect your thinking as to what action should be taken?  
28

29 A. Well, if I were considering this problem,  
30 obviously the fact that some of the traffic comes under









1 statutory rates, limited as to the level, and other  
2 traffic should have freedom, that is a matter of course  
3 that would affect my thinking. It is bound to affect  
4 the Royal Commission's thinking.

5 Q. Then let us turn to the type of service  
6 that is clearly in the national interest, that is in the  
7 interest of all Canadians that it be continued, for  
8 instance, the movement of grain to export positions  
9 in western Canada, and contrast that with the local or  
10 segment passenger service, whether it be local or a  
11 segment of passenger service, there would be very great  
12 differences in your mind, I take it, as to the action that  
13 would be taken in dealing with those two problems?

14 A. Yes, I would say so.

15 Q. And it is not your position, I take it,  
16 that a branch line that is moving largely grain, say,  
17 75 per cent or more, at statutory rates, and the branch  
18 line is not economically feasible under those rates, I  
19 will ask you to assume with me, it would not be your  
20 position to say that what the Commission should do  
21 would be to look upon the problem as a branch line  
22 problem rather than the problem involving the movement  
23 of grain over the branch line?

24 A. Mr. Sinclair, I was rather under the  
25 impression I had answered that. If a line is providing  
26 a service at less than cost year after year on a con-  
27 tinuing basis and the outlook appears that that is the  
28 future, that that was going to continue, then it must  
29 reconsider the rates that it is providing if it is unable  
30





1 to achieve economy of service.

2 Q. What you are saying is: first, if the  
3 line is uneconomic and the rates are at a proper level  
4 then consideration to its discontinuance must be given,  
5 but primarily the first thing to do is make sure the  
6 rates are at a proper level. Is that not what you  
7 are saying?

8 A. Yes. The rates must have some relation-  
9 ship surely to the cost of providing the service in one  
10 way or another in the long run. In the short run the  
11 railway, it seems to me, does not have to recover what  
12 its costs are, but in the long run as in other economic  
13 instances it must recover its out-of-pocket costs. If  
14 it is going to be kept efficient and up to date then  
15 there must be return so there can be renewal of that  
16 asset, of that physical product.

17 Q. Now, if I may, I would like to turn to  
18 this suggestion that you have made that the railway  
19 industry is a declining industry. That is based on  
20 certain data that you have in your appendices and in  
21 dealing with this I hope you will bear with me and  
22 recognize it if I do not put to you the exactly technical  
23 term, and if you wish me to repeat it I will do so.

24 I have in mind particularly your chart 1,  
25 graph 1, which is immediately following page 35 of your  
26 submission, and you say on page 10:

27 "The fact that there is a low degree of  
28 contact between the annual data and the curve  
29 is due to the depth of the depression of the  
30 1930's."







1 Now, I suggest to you that the very fact that there was  
2 a poor degree of contact might indicate that the method  
3 you followed in fitting that trend line is the reason  
4 for its shape.

5 MR. McDOUGALL: There is difficulty there in  
6 finding any curve that is respectable. It is an arith-  
7 metic plot and a logarithmic curve but if you will take  
8 it that the depression follows well after the mean in  
9 time then it must have a very sharp effect upon the  
10 latter portion of it.

11 Q. Well, if for instance instead of taking  
12 the explanatory trend line such as you did you had  
13 developed on a population and logarithmic line and also  
14 for freight traffic a logarithmic line and tested each  
15 of them by these squares and then put the two of them  
16 together you might have found that the degree of contact  
17 was much better than you have. Did you try that?

18 MR. McDOUGALL: No, I did not. I did consider  
19 dropping out the very depth of the depression and de-  
20 cided since this was a mere description only it was  
21 better to leave it rather than attempting to drop it.

22 Q. Let me ask you one further question:  
23 there are cyclical effects in this period covered by this  
24 graph and by this trend line, correct?

25 A. Yes.

26 Q. And if there are cyclical effects, as you  
27 say, surely then there is no provision made for the  
28 cyclical effect on the end of the time series under  
29 this method you have followed?  
30







1 MR. McDOUGALL: Exactly, but since it is  
2 based on the whole period 1875 to 1958, the cyclical  
3 effect of 1957-58 is going to be rather minor.

4 Q. In any event, the end cyclical effect  
5 can very well have a downward -- bend the line downward  
6 more than would be justified by the facts?

7 MR. McDOUGALL: Yes.

8 Q. Now, to return to the question I put a  
9 little earlier: if the cycles, and you said, I think,  
10 they were based on five-year moving averages?

11 MR. McDOUGALL: Yes.

12 Q. If the cycles were either more or less  
13 than the five years then the fact that you took five-year  
14 periods and moving averages of five-year periods could  
15 have distorted the movement of the line, the trend line?

16 MR. McDOUGALL: Yes.

17 Q. Now, one other point: in dealing with  
18 this material statistically you have developed this on  
19 the basis of head of population to tons carried so that  
20 is tons originating?

21 MR. McDOUGALL: No, it is carried plus re-  
22 ceived from connections plus interchange between  
23 Canadian railways. It is all in here. The only way  
24 I can get anything that runs a long period is to take  
25 that rather unhandy grab bag.

26 Q. But what you have done is take tons  
27 carried rather than ton miles?

28 Mr. McDOUGALL: Yes.

29 Q. And in so doing you have not given weight  
30





1 to the service factor, the total service factor of the  
2 railways in freight transportation?

3 MR. McDOUGALL: No, sir, that is covered in  
4 the appendix, table D.

5 Q. That is something I want to discuss with  
6 you, then. You have stated that the railways are a  
7 declining industry, and my suggestion to you is that if  
8 you take the last of the two five-year periods either as  
9 shown in your table A or as shown in your table B, one  
10 being tons carried being table A, and ton miles being  
11 table B, you will find contrary to any decline that  
12 both in absolute terms of tons carried and in average  
13 the second five-year period, namely 1954 through 1958,  
14 is higher than the first five-year period, namely  
15 1949 through 1953. You can take my figures subject to  
16 check. The total for 1949-1953 on your table A is  
17 872 thousands, 823 thousands, or an average of 174,565  
18 thousands.

19 MR. McDOUGALL: This is ton miles.

20 Q. It is tons carried. I will give you ton  
21 miles in a minute. The period 1949-53 and comparing  
22 that to 1954-58, the total 1949-53 is 872,823 thousands  
23 or an average of 174,565 thousands. The second period  
24 1954-58 a total of 936,169 thousands or an average of  
25 187,234 thousands. So that you can have it before you  
26 all at the same time, Professor McDougall, would you  
27 turn to your table D and for the comparable periods again,  
28 1949 to 1953, the total I make is 309,873 and this time  
29 millions, an average of 61,975 millions. In the period  
30







1 1954 through 1958 the total is 339,947 millions, an  
2 average of 67,989 millions.

3 Now, you have those figures before you on  
4 your table as I have added them, and taking them subject  
5 to check would you not agree with these figures that  
6 your own data show that the railway industry is an  
7 expanding industry but at a declining rate rather than  
8 a declining industry?

9 MR. McDOUGALL: I thought I had said nothing  
10 more than a decline relatively.

11 MR. GATHERCOLE: Declining in relation to  
12 the growth in population and the general economy.

13 Q. I think what I point out to you was:

14 "The detail proofs of the statement that  
15 the railways are about forty years away from  
16 their peak of influence and are now a declining  
17 industry are given in Appendix 1."

18 What you mean by that, I take it, is merely what I said,  
19 that they are an expanding industry but at a declining  
20 rate of growth?

21 MR. McDOUGALL: A declining rate of growth  
22 and declining in relation to the growth of population  
23 as well.

24 MR. GATHERCOLE: That is shown in that state-  
25 ment.

26 Q. Just one other matter of statistics before  
27 we leave that aspect of it. Would you turn to your  
28 page 17, chapter 5, and the tables there following.  
29 Here you make certain references as to the car mile  
30





1 revenues for traffic originating in Ontario and you  
2 compare that to certain national averages both after  
3 and before duplications were removed. Now, as I cal-  
4 culated it what you did was this; you do not give your  
5 method here, but tell me if this is right: what you  
6 did was, you took the percentage. For instance,  
7 agriculture is in total national in the period 1954-  
8 1958, 21.6 and you state you used weights of the average  
9 car mile, so what you did was multiply 21.86 for  
10 agriculture, being what you say is a percentage of the  
11 national total originated in Ontario ---

12  
13 MR. McDOUGALL: Would not table 4 be much  
14 more helpful?

15 Q. Well, I find great difficulty in this  
16 field because I am not good at it, so if you just bear  
17 with me and if I am wrong you can tell me why. What I  
18 think you have done, you have taken the 21.86 and  
19 multiplied that by the 34 that is shown for the average  
20 revenue per car mile in Ontario for Canada and have done  
21 that for the various commodity groups as shown. Is  
22 that not the way you did it? Table 2.

23 MR. McDOUGALL: You are looking at table 2?

24 Q. Tables 2 and 4, to arrive at your figure  
25 of 58.08 cents as shown?

26 MR. McDOUGALL: If you look at tables 3 and 4  
27 you would see it exactly. The final column in table  
28 3 is the first column of table 4; the second column of  
29 table 4 is drawn from the Waybill Analysis.

30 Q. No matter how you do it, using table 3 or







1 table 2, let me suggest that is ---

2 MR. McDOUGALL: That is the method, yes.

3 Q. Well, in doing so I suggest to you that  
4 you have not reflected the mix of the various commodities  
5 in Ontario. In other words, you have not properly given  
6 any weight to any difference between the mix of commodi-  
7 ties in Ontario as against the national average. Had  
8 you thought of that?  
9

10 MR. McDOUGALL: I would like to see that idea  
11 developed.  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30







1 Q. For instance, one way of developing it  
2 would be to take on table 2 or 3, the first five commo-  
3 dity groups, add them up and take each one as a per-  
4 centage of that total, and then that would give you the  
5 commodity mix, but your difficulty, Professor McDougall,  
6 is this, isn't it, that you then do not know how to weight  
7 that, because in taking the average revenue per car  
8 mile you do not know, do you, either, whether the average  
9 length of haul in Ontario originated traffic is the same  
10 as the national average?  
11

12 MR. McDOUGALL: No.

13 Q. And you do not know whether the average  
14 weight per car, where rates depend on minimums, is the  
15 same in traffic originated in Ontario as in the  
16 national average?

17 MR. McDOUGALL: No.

18 Q. And if Ontario in any way departed from  
19 the national average you have, either in length of haul  
20 or in weight, where minimums apply, you have not got the  
21 proper answer?

22 MR. McDOUGALL: Agreed.

23 Q. I don't want you to think that I am  
24 suggesting to you that the freight bill from Ontario is  
25 not high. What I am suggesting to you is the dis-  
26 abilities of working with car mile data.

27 MR. McDOUGALL: It is the disability of  
28 working with data which is not reported on a provincial  
29 basis. It is catch as catch can.

30 Q. But the real disability is car mile data





1 instead of the ton mile data. If you had worked on ton  
2 mile data you would not have had the difficulties I have  
3 pointed out -- not to the same degree, anyway; would  
4 you agree with that?

5 MR. McDOUGALL: You would get a different re-  
6 sult?

7 Q. You would get a different result?

8 MR. McDOUGALL: Yes. I don't know whether  
9 the difference would be significant.

10 Q. Well, now, just one other little point.  
11 I was struck by your statement that Mr. Hume referred to,  
12 and that is on page 13, and that is that the rise of the  
13 motor competition did not initiate the decline -- and  
14 here you are talking of the decline in tons carried per  
15 head of population, and you referred as the basis of that  
16 statement, I take it, to table A?

17 MR. McDOUGALL: Yes.

18 Q. I would ask you to give some consideration  
19 to testing it by table B. Keeping in mind table B, would  
20 you see if you could agree with me on this: the high  
21 point prior to World War II is 1928?

22 MR. McDOUGALL: Yes.

23 Q. And there was a decline thereafter which  
24 I suggest to you was caused mainly by the great depres-  
25 sion and also by the impact of competition both private  
26 and commercial -- looking at your table?

27 MR. McDOUGALL: You are now touching the  
28 period, let us say, 1928 to 1930 what?

29 Q. Oh, 1939, 1940 -- just before the war  
30







1 came along. First, can we agree that 1928 is the high?

2 MR. McDOUGALL: Yes.

3 Q. Yes?

4 MR. McDOUGALL: Now, in revenue ---

5 Q. Well, these are ton miles?

6 MR. McDOUGALL: Yes. In terms of ton miles,  
7 I would say that the level of capital investment in the  
8 country, the low level of the thirties, was much more  
9 important than the rise of motor competition.

10 Q. But the two factors were working, includ-  
11 ing both private and commercial transport?

12 MR. McDOUGALL: Yes.

13 Q. Highway transport. Then, the next period  
14 we would take would be, say, 1939 to 1945, and the period  
15 immediately thereafter, and in that period there is  
16 war traffic and restrictions on private and commercial,  
17 but mostly on private transport; would you agree with  
18 that?

19 MR. McDOUGALL: Physical restrictions -- the  
20 difficulty of getting tires and trucks.

21 Q. Gas rationing?

22 MR. McDOUGALL: Yes.

23 Q. But, specifically, that was more impor-  
24 tant privately than it was commercially because you will  
25 agree commercial operators had certain priorities, but  
26 private operators -- you must remember; you were a  
27 private operator yourself: how did you do -- you walked?

28 MR. McDOUGALL: You are thinking more of  
29 passenger traffic than freight?  
30





1 Q. I am thinking of passenger traffic with  
2 you, and I might be thinking of other than passenger  
3 traffic with somebody who may haul groceries in his car.  
4

5 MR. McDOUGALL: Certainly, there were restric-  
6 tions during the war.

7 Q. And so, therefore, we come to the two  
8 periods 1949 to 1953 and 1954 to 1958 which I discussed  
9 with you earlier?

10 MR. McDOUGALL: Well, I think, sir, that in  
11 the period 1954 to 1958 one is only given the reports  
12 on the Quebec North Shore and Labrador for the years  
13 1955 to 1958. If I remember correctly, in 1956  
14 300 ton-miles per head of population was produced on the  
15 Quebec North Shore and Labrador alone. This is an  
16 industrial facility. It is not part of the general  
17 railway network.

18 Q. Have you checked the data to see what  
19 was the all-time high in ton miles on Canadian Pacific?  
20 I suggest to you it was 1956.

21 MR. McDOUGALL: I didn't check it.

22 Q. And that some of the years since that  
23 have been second highest except for 1956. You have  
24 not checked that?

25 MR. McDOUGALL: No.

26 Q. So, while there is a bias about the  
27 figures by the introduction of the Quebec North Shore  
28 and Labrador, notwithstanding there are these other  
29 factors that would fit in with the general pattern;  
30 would you agree with that?





1 MR. McDOUGALL: Yes.

2 THE CHAIRMAN: Well, we will adjourn now  
3 and meet again at nine-thirty tomorrow morning.

4 MR. TURVILLE: Mr. Chairman, before we  
5 adjourn, my instructions indicate that there is no  
6 present intention yet of arranging for a further sub-  
7 mission, but there may be later, and I would express  
8 the hope that other counsel might make what further  
9 cross-examination they would wish at the present time,  
10 just in case there is no further submission.

11 THE CHAIRMAN: That is what I suggest to  
12 them -- in case Mr. Gathercole does not go to Ottawa;  
13 they should take him while they have him.

14 We will adjourn now until nine-thirty to-  
15 morrow morning.

16 ---Adjournment.  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





*Hon. G. P. McTavish*

# ROYAL COMMISSION

ON

## TRANSPORTATION

### HEARINGS

HELD AT

TORONTO

VOLUME No.:

DATE

43

MARCH 15 1960

OFFICIAL REPORTERS  
ANGUS, STONEHOUSE & CO. LTD.  
272 BAY STREET  
TORONTO  
EM: 417283 (M) 417272 (M) 74-5865





ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held  
in Simcoe Hall, University of  
Toronto, Toronto, Ontario,  
on the 15th day of March, 1960

COMMISSION

|                            |          |
|----------------------------|----------|
| Mr. M. A. MacPherson, Q.C. | Chairman |
| Mr. H. Anscomb             | Member   |
| Mr. A. H. Balch            | Member   |
| Mr. R. Gobeil              | Member   |
| Mr. H. A. Mann             | Member   |
| Mr. A. Platt               | Member   |

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. H. W. Ellicott      Adviser

Mr. F. W. Anderson      Secretary

Major N. Lafrance      Assistant Secretary







Toronto, Ontario,  
Tuesday,  
March 15, 1960

---On commencing at 9.30 a.m.

THE CHAIRMAN: Before we start this morning I may say that to save time the following witnesses have agreed that their evidence will be taken as read and that anything can be added by them and then they will be subject to cross-examination:

The Conference of Southwestern Ontario; the Toronto Harbour Commission; the Board of Trade of Metropolitan Toronto; the Canadian Electrical Manufacturers Association and the Canadian Transport Tariff Bureau. We will save quite a bit of time on those.

MR. HUME: If they are going to be taken as read, is there any possibility of getting, for the benefit of those who were not here yesterday, the Metropolitan Toronto brief and the Canadian Electrical Manufacturers Association brief?

MR. SINCLAIR: Someone was handing them out.

MR. HUME: All right.

THE CHAIRMAN: I might say in regard to the briefs that in reading them I note there are some points which concern only the Board of Transport Commissioners. We are not an appeal court from the Board of Transport in that sense, nor are we supposed to invade their territory, so, while the submissions will be received, there will be no cross-examination on that part. We are not touching what it is not our job to do.





CROSS-EXAMINATION BY MR. SINCLAIR (Cont'd):

Q. Yesterday, Mr. Gathercole and Mr. McDougall, jointly, we agreed that the railway industry in Canada was an expanding industry but at a declining rate of growth. In your submission you advanced certain reasons for this declining rate of growth and as a basic premise you suggested that the railways had not modernized their equipment and were not competing in aggressiveness and efficiency with alternative services. That is the language of your submission.

In the light of that, you would agree that in the postwar period Canadian Pacific has practically completed a complete changeover in its motive power from steam to diesel?

MR. McDOUGALL: Yes. May I add that in relation to freight traffic -- I will take maybe an ambivalent case -- but in relation to freight traffic there is no doubt it is a declining industry.

Q. I will talk mainly about freight traffic, and in regard to that qualification you put, which I would agree with, but in regard to your basic premise of aggressiveness and efficiency, we have agreed on the changeover in motive power. In the postwar period, just to deal with the passenger matters, Canadian Pacific introduced the modern flexible dayliner service and has applied it in a number of cases across Canada and in fact has the largest North American fleet of dayliners?

MR. McDOUGALL: I could not specify as to the





1 actual size.

2 Q. Did you know they introduced them?

3 MR. McDOUGALL: Yes.

4 Q. In the postwar period Canadian Pacific  
5 introduced modern stainless steel dome  
6 passenger carrying equipment for its main line operations,  
7 and in the postwar period Canadian Pacific introduced  
8 the first modern push-button yard, as it is generally  
9 called, at St. Luc in Montreal -- you know that?  
10 And in the postwar period Canadian Pacific introduced  
11 specialized freight equipment such as covered hoppers,  
12 press centre flats and other modern types of equipment  
13 -- you knew that?

14 MR. McDOUGALL: Yes.

15 Q. And in the postwar period Canadian Pacific  
16 made the first major industry application in Canada  
17 of integrated data processes -- you knew that?

18 MR. McDOUGALL: I did not know it was the first.

19 Q. And in point of fact the present machine  
20 that it has is the first application of this advanced  
21 high speed computer that has been adopted by industry --  
22 you did not know that?

23 MR. McDOUGALL: No.

24 Q. And in the postwar period Canadian Pacific  
25 introduced piggy-back services and applied them widely,  
26 so that they are now available across Canada for both  
27 railway trailers and for common carriers -- you knew  
28 that?

29 MR. McDOUGALL: Yes.  
30







1 Q. In the light of these facts upon which  
2 we have agreed, would you not agree that it is a mis-  
3 conception to say that the railways have not aggressively  
4 changed their plants and their equipment and met the  
5 modern changes of technology and the requirements of  
6 industry?

7 MR. McDUGALL: They have gone as far as they  
8 have been able to. Whether it has been enough in the  
9 circumstances is the question.

10 Q. Are you saying that the major area where  
11 they have not gone forward is in the labour area? Is  
12 that what you have in mind? Because we have quite a  
13 list of equipment and electronic applications that we  
14 have just agreed on. Is it in the labour area you have  
15 in mind particularly?

16 MR. GATHERCOLE: Not necessarily. The im-  
17 pression we had in studying the situation was that it  
18 applies generally. You have outlined a list of a  
19 number of improvements which have brought about great  
20 progress in railroading in the country, but the impres-  
21 sion we have is that there has not been a sufficient  
22 amount of flexibility and modernization in the industry  
23 to keep it abreast of the times.

24 Q. That may be an impression that comes  
25 from a layman's point of view but not an impression that  
26 would be gained by a student of railroading. That  
27 would be a possibility, you would agree?

28 MR. GATHERCOLE: It is a layman's judgment,  
29 I would grant you, but I think it is one that is quite  
30





1 widely shared across the country.

2 Q. You will recall that the Prime Minister  
3 and I agreed yesterday, and he certainly found this to  
4 be so, that people who have the responsibility of  
5 government often find that people outside of government  
6 claim that if they were there things would be better and  
7 indeed would quite openly say that the policies being  
8 followed were not the best policies. That analogy  
9 can quite apply in another case, couldn't it?  
10

11 MR. GATHERCOLE: Yes, I would not deny that.

12 Q. In regard to the flexibility matter that  
13 you raised, on page 13 and part of page 14, you deal with  
14 the running of heavier and longer trains. You say:

15 "There is no doubt whatever that this  
16 reduces direct costs; but it also involves  
17 indirect costs of no mean order. The making  
18 up and breaking of long trains in the initial  
19 and final terminals is not only expensive in  
20 itself; it also consumes a great deal of time."  
21 And then you say at the bottom of that paragraph that  
22 I was reading from:

23 "Traffic was delivered to the railway;  
24 eventually it was received by the consignee;  
25 but the intervening period of highly uncertain  
26 length was set so as to minimize the movement  
27 cost which the railway had to bear, not to  
28 maximize the value of the service."

29 I suggest to you that it is a very easy exercise, and  
30 one that some people do from time to time, and that is







1 to sit in a room and take a rating book of locomotives  
2 and to play Chinese checkers as to how you move traffic,  
3 and, without any knowledge of traffic flow, to load  
4 all locomotives to their maximum capacity and see what  
5 that does to costs, without any reference to traffic  
6 flow, as I say. But you are suggesting, I take it,  
7 that the Canadian Pacific by use of diesel motor power  
8 and by building trains to certain capacities are not  
9 properly balancing movement costs with traffic require-  
10 ments -- is that what you are suggesting?

11 MR. McDOUGALL: I think you have not noticed  
12 the opening words of the first sentence:

13 "In the railways' great period of growth  
14 there also developed certain factors which . . ."  
15 and it continues.

16 Q. What you are saying is that this is in  
17 the period when they went to heavier steam power, not  
18 to diesels?

19 MR. McDOUGALL: Yes.

20 Q. Well, then, would you agree with me that  
21 the diesel locomotive and its application to railway  
22 operations gives greater flexibility because of the  
23 fact that it would take off or put on units and operate  
24 them in multiples?

25 MR. McDOUGALL: Yes.

26 Q. So there has been a marked advance in  
27 that regard through the diesels?

28 MR. McDOUGALL: Yes, subject, of course, to  
29 the cost of labour -- if you have an absolutely standard  
30





1 crew per train.

2 Q. That is an interesting comment, Mr.  
3 McDougall, because that leads up to the point you make  
4 later on page 14, in which you say:

5 "Rigidity and unalterable requirements and  
6 standards, involving an unnecessary degree of  
7 labour content, militate against the railways  
8 obtaining business and the workmen obtaining  
9 work."

10 Now, Mr. Gathercole and Mr. McDougall, jointly, you  
11 know that the Canadian Pacific led the North American  
12 railroads in the progressive removal of firemen from  
13 freight yard diesels-- you know that?

14 MR. McDOUGALL: Yes.

15 Q. Did you also know that through integrated  
16 data processing and speeding up paper work that labour  
17 intensity in that area, in the railway industry, was  
18 being lessened? Did you know that?

19 MR. McDOUGALL: I took it for granted. I did  
20 not know.

21 Q. Did you know that by the application of  
22 centralized traffic control that work done by the  
23 dispatcher to a train order operation was being elimina-  
24 ted?

25 MR. McDOUGALL: Yes.

26 Q. And are you suggesting that the Canadian  
27 Pacific management, in the light of these matters, were  
28 showing any rigidity or lack of adjustment in their  
29 labour practices?  
30





1  
2 MR. McDOUGALL: Within the limits made pos-  
3 sible by the external environment, they may have done  
4 all they could. The question is whether the railway  
5 industry is not now coming to a situation where some of  
6 these external factors must also come in.

7 Q. What you are saying is that they have  
8 done much but there is still more that can be done?  
9 Is that what you are saying?

10 MR. McDOUGALL: I think I am saying more than  
11 that. -

12  
13  
14 -

15  
16  
17 -

18  
19  
20 -

21  
22  
23 -

24  
25  
26 -

27  
28  
29 -







1 Q. Well, are you saying ---

2 MR. McDOUGALL: May I continue?

3 Q. Certainly.

4 MR. McDOUGALL: That it appears to me that  
5 the deterioration in revenue is such that more must be  
6 done.

7 Q. I see. What you are saying is that be-  
8 cause of the fact that the railways are capital heavy  
9 and labour heavy and in modern costs of labour and,  
10 indeed, modern costs of capital, more and more redress  
11 action must be taken in regard to the labour factor of  
12 cost. Would that be so?

13 MR. McDOUGALL: It is not solely the factor  
14 of cost; it may be a reduction in the quantity and kind  
15 of service that is given.

16 Q. Well, let me suggest this to you and see  
17 if you agree with it. As you know, this question of  
18 the firemen on diesels involved two strikes on the  
19 Canadian Pacific, with hearings involving a Royal  
20 Commission continuing many months; indeed, the hearings  
21 involved in the issue lasted over some two years. You  
22 agree with that?

23 MR. McDOUGALL: Yes.

24 Q. And this involved a relatively small  
25 number of men on the Canadian Pacific?

26 MR. McDOUGALL: Yes.

27 Q. So if that was the experience of Canadian  
28 Pacific management in dealing with that problem, what  
29 is your suggestion for them to deal with any other  
30





1 problem you may have in mind that may result in a more  
2 expeditious determination of the issue?

3 MR. McDUGALL: Sir, I am not a railway  
4 executive; I can't answer.

5 MR. GATHERCOLE: I think, Mr. Chairman, if I  
6 may just make an observation there. We recognize that  
7 there are certain traditional practices which undoubtedly  
8 represent a rigidity in the railway system. On the  
9 other hand ---

10 Q. Such as, Mr. Gathercole. I mean, that  
11 is a very broad statement, but it is easy to make  
12 broad statements, we all know, but for us to understand  
13 we need an example. Such as?

14 MR. GATHERCOLE: Well, in my understanding  
15 of the operation of the yard trains, for instance, there  
16 may be a division of labour there so that the main  
17 train lines, the yard crews, are not able to operate in  
18 the yard themselves.

19 Q. You may, as some people do, read American  
20 publications. What you have just said is applicable  
21 in the United States, but if you look at Canadian labour  
22 agreements you will find that the restriction on  
23 switching on the road crews in Canadian Pacific alone,  
24 speaking of it alone, road crews do do yard switching,  
25 and in this respect they are much different to the roads  
26 in the United States. Did you know that?

27 MR. GATHERCOLE: Well, I am not familiar with  
28 that distinction. Are you suggesting that there are no  
29 workmen, there are no employees who are not doing an  
30







1 optimum, making an optimum contribution to the railway  
2 system? Now, we are not suggesting that there can be  
3 any radical or drastic cutting of staff or anything of  
4 that kind. What we are suggesting is that there are  
5 opportunities in any large organization in the normal  
6 turnover of staff.

7 Q. Well, there may be opportunities in the  
8 Government of the Province of Ontario.

9 MR. GATHERCOLE: Absolutely.

10 Q. And they might be greater than on the  
11 railways.

12 MR. GATHERCOLE: They might be. I wouldn't  
13 deny that they were and I wouldn't say that they were.  
14 But I am saying that in any large organization there are  
15 always opportunities of making improvements.

16 Q. All you are saying -- would this be right,  
17 Mr. Gathercole, that the railways, of course, don't try  
18 to pretend that they are in any way perfect in this  
19 matter and they do expect and hope to improve, and that  
20 is all you are saying, that they should try their very  
21 best to improve?

22 MR. GATHERCOLE: That is what I am saying --  
23 with a modern system, constantly improving and growing  
24 in efficiency.

25 THE CHAIRMAN: You want vigilance in that  
26 regard?

27 MR. GATHERCOLE: Certainly.

28 MR. SINCLAIR: Q. I suggested that it would  
29 be wrong to take everything you hear from the United  
30





1 States and read in periodicals about the United States  
2 as being applicable on the Canadian Pacific in regard  
3 to railway matters on the Canadian Pacific, and I also  
4 asked in relation to this so-called featherbedding.  
5 Have you ever taken a look at the printing trade and  
6 seen the make work factors in the printing trade? Have  
7 you ever studied that?

8 MR. GATHERCOLE: Yes, there are make work  
9 practices in many enterprises, but the fact remains that  
10 what we are saying is that we believe that during the  
11 course of time there should be a reassessment of the  
12 position and a constant endeavour to achieve greater  
13 economy and a greater degree of efficiency.

14 Q. But you are not suggesting in so far as  
15 the Canadian Pacific is concerned that is not taking  
16 place?

17 MR. GATHERCOLE: No.

18 Q. Now, yesterday I think it was Professor  
19 McDougall -- Mr. Gathercole, if you wish to speak to  
20 this, fine -- we had some discussion on railway pricing,  
21 and I only wish to deal with one or two more questions  
22 on this. This is in a number of places in your brief,  
23 one place being page 15, and I think I should put it to  
24 you this way: you would agree that in railway pricing  
25 it is essential that competition be met realistically.  
26 You would agree with that, Mr. Gathercole?

27 MR. GATHERCOLE: Yes, I do.

28 Q. And that a factor in railway pricing is  
29 competitive modes of transportation, cost and convenience?  
30





1 MR. GATHERCOLE: Yes.

2 Q. And you would agree that differential  
3 pricing is applicable to the railway industry just as  
4 it is to other industry?

5 MR. GATHERCOLE: Yes, that is true.

6 Q. Now, I then ask you to turn to page 21 of  
7 your brief, just before the table, and I will deal with  
8 that. In the last sentence before the table you state:

9 "As long as there is any cross subsidiza-  
10 tion in railway rates the burden is likely to  
11 fall on those areas where geographical location  
12 and the character of their production tend to  
13 make them dependent upon the railway for  
14 service."  
15

16 Now, in so far as the railway is the most economic  
17 carrier for any character of service or in any area,  
18 differential pricing within the range of railway costs  
19 and substitute mode of transportation doesn't adversely  
20 affect the industry involved, does it?

21 MR. GATHERCOLE: Well, our position there is  
22 that we believe that the railways should not take  
23 advantage of what may be a quasi-monopoly position in  
24 some regions by charging rates which are in excess of  
25 costs in order to recoup themselves because they must  
26 meet competitive forces in other lines and in the movements  
27 of other commodities.

28 Q. Let me suggest this to you and see if you  
29 agree with this. The truck transportation is not per-  
30 vasive throughout Canada as it is served by the Canadian







1 Pacific Railway?

2 MR. GATHERCOLE: Yes, but you would agree,  
3 Mr. Sinclair, that it is more prevalent in some part of  
4 the country than in others.

5 Q. Have you studied the effect of the appli-  
6 cation of trucks across Canada in recent years? This  
7 is another idea that is thought of by people and they  
8 think it is continuing. Have you made any study to  
9 see what application there is of competitive trucking  
10 across Canada?

11 MR. GATHERCOLE: We haven't made any inten-  
12 sive study. We have undertaken some examination of  
13 this field in relation to this submission itself ---

14 Q. Have you any figures?

15 MR. GATHERCOLE: I am not submitting, not  
16 prepared to submit any figures here at the present time.  
17 But surely you are not suggesting that in many parts  
18 of this province, in the northern part of the province  
19 there is as much competition coming to the railways from  
20 the trucking industry as there is in the southern parts?

21 Q. I am suggesting just that.

22 MR. GATHERCOLE: Well, you can suggest it. I  
23 don't accept it myself. I don't concur in your views.

24 Q. Competition must be looked at both actual  
25 and potential. Have you overlooked the second part of  
26 it?

27 MR. GATHERCOLE: Yes, but we are looking at  
28 it ---

29 Q. But railway rates are based on both  
30





1 actual and potential.

2 MR. GATHERCOLE: By potential do you mean  
3 twenty-five or fifty years from now when the northern  
4 part of Ontario may be crossed by a more comprehensive  
5 network of railways than at the present time? Are you  
6 speaking of today or five years from now?

7 Q. No, I am speaking of the present and  
8 immediate future. I am asking you to consider the  
9 Canadian Pacific lines in what you call northwestern  
10 Ontario, and I am asking you to take a look at Trans-  
11 Canada highway in respect of that line. Have you ever  
12 done that? You see, you can't generalize about rail-  
13 ways. I am asking you to forget about anything but  
14 Canadian Pacific, and I am suggesting that Trans-Canada  
15 highway parallels this system from the Quebec-Ontario  
16 border right through to the Pacific coast with the ex-  
17 ception of a very short piece near Sudbury.

18 MR. GATHERCOLE: Mr. Sinclair, I am quite  
19 sure that many people in the province will not agree  
20 with you.

21 Q. It is quite easy not to agree with me.  
22 I am asking you if you have considered the factors of  
23 both actual and potential competition?

24 THE CHAIRMAN: Well, Mr. Gathercole, I think,  
25 has answered that, Mr. Sinclair.

26 MR. SINCLAIR: Very well, Mr. Chairman.

27 Q. Then in considering competition, did you  
28 know that foreign market competition was a factor in  
29 freight rates? Did you know that?  
30







1 MR. GATHERCOLE: Well, inevitably.

2 Q. Did you know that pervasiveness of com-  
3 petition in regard to modern technology in so far as  
4 moving bulk commodities -- for instance, sulphur: did  
5 you know that sulphur can be successfully moved by  
6 pipe line?

7 MR. GATHERCOLE: I wasn't aware that sulphur  
8 was.

9 Q. Did you know that coal could be?

10 MR. GATHERCOLE: Yes.

11 Q. Did you know that coal could be moved by  
12 conveyor?

13 MR. GATHERCOLE: Yes.

14 Q. And those are all potential factors that  
15 must be taken into account when you are considering com-  
16 petition?

17 MR. GATHERCOLE: Very much so. What we are  
18 contending for is a maximum policy, and we believe that  
19 the railways should adapt themselves.

20 THE CHAIRMAN: One of the difficulties for  
21 this Commission is that the world is moving so fast, Mr.  
22 Gathercole.

23 MR. GATHERCOLE: Yes, that is very, very true,  
24 and we have a lot of sympathy for the railways. We  
25 are not antagonistic to the railways; we want to see  
26 them modernized, we want to see them doing the best  
27 possible job in Ontario.

28 MR. SINCLAIR: Q. Fine. I recognize that  
29 you are not antagonistic. We want to see that you  
30





1 recognize all the factors involved.

2 Now, let me ask you this: if the railways  
3 practise differential pricing, cross subsidization,  
4 value of service -- call it what you will -- I am  
5 using them synonymously -- if they practise value of  
6 service pricing within their variable cost as a floor  
7 and a ceiling of competitive mode of transportation  
8 costs, how can there be any misallocation of resources  
9 as a result of transportation pricing?  
10

11 MR. McDOUGALL: I think, sir, if I can draw  
12 your attention to what is said on page 26, starting at  
13 line 5.

14 "It appears to us that some of the rates  
15 in northern and indeed southwestern Ontario are  
16 being maintained at levels higher than those  
17 made available to other shippers for comparable  
18 distances, though they are contrary to the  
19 railways' own best long-run interests: there  
20 is a reluctance to sacrifice the immediate  
21 revenue, even though it would strengthen the  
22 railways' long-term position."  
23  
24  
25  
26  
27  
28  
29  
30





1 Q. Well, if you do not mind I will come to  
2 that point after I have finished this one. This  
3 arises from a statement made by Mr. Gathercole and  
4 arises out of your statement on page 21 which I read  
5 into the record about cross subsidization. Mr. Gather-  
6 cole said that what they objected to was having higher  
7 rates than cost on one segment of traffic to make up  
8 for others and he there means total costs, obviously,  
9 to make up for less than total costs on other segments  
10 of traffic, so expanding from that my question to you,  
11 he said he thought that was wrong. So, to you jointly  
12 -- I think he gave you the ball -- as long as the  
13 railways were practising cost subsidization, differen-  
14 tial price and value of service pricing within the  
15 area of their variable cost and the cost of competing  
16 modes of transportation how can there be any misalloca-  
17 tion of resources?

18  
19 MR. McDOUGALL: Only in so far as it leads  
20 really to paying excessive premium on the immediate  
21 year's income and forgetting what follows.

22 Q. Only in that degree?

23 MR. McDOUGALL: Yes.

24 Q. That puts that in that sequence, and that  
25 is why you say to turn to page 26?

26 MR. McDOUGALL: Yes.

27 MR. GATHERCOLE: If I might interject there:  
28 you may have misuse of failure to develop your resources  
29 to the optimum degree by reason of the differential rate  
30 policy. That is to say, what we are contending,







1 charging unduly high rates in some areas which may be  
2 coming into development, the attempt to utilize in  
3 order to recoup from the others, you may have an unfavour-  
4 able disemployment of economics.

5 Q. I suggest to you that is a different  
6 problem from railway pricing as we have been discussing  
7 them. It is a problem you have introduced of using  
8 development rates for a period of infant industry  
9 development which would enable them to expand; is that  
10 your position?

11 MR. GATHERCOLE: In part, yes.

12 COMMISSIONER MANN: I wonder if there is not a  
13 difficulty in terminology between you and Mr. Sinclair.  
14 Misallocation of resources, the term as Mr. Sinclair  
15 uses it, I understand was in regard to transportation  
16 resources and your interpretation was economic resources  
17 generally and I think that has caused some of the diffi-  
18 culty.

19 MR. SINCLAIR: I think it can well be  
20 applicable to both, Commissioner Mann, and I think when  
21 Professor McDougall did state it and as it was amplified  
22 by Mr. Gathercole, it shows they had both areas in mind.  
23 But, leaving their answer only to misallocation of re-  
24 sources in transportation and under a proper freight  
25 rate pricing policy of value of service, differential  
26 pricing within the limits that I have spoken about and  
27 leaving aside, Mr. Gathercole, development rates how  
28 could there be any misallocation of resources in the  
29 economic sense outside of transportation? Apparently  
30





1 the Commission wants to have your thought on that -- one,  
2 both, or jointly.

3 MR. GATHERCOLE: I think, Mr. Chairman, that  
4 the question as it is posed involves quite a number of  
5 imponderables.

6 THE CHAIRMAN: That may be answered later,  
7 then, Mr. Gathercole, in writing to the Commission.

8 MR. GATHERCOLE: Yes, perhaps we would have an  
9 opportunity of thinking it over.

10 THE CHAIRMAN: You know these questions Mr.  
11 Sinclairposes are not so easy of answering off the bat  
12 and I think you have the right to reserve your answer  
13 and to send a copy of the answer to him and send a copy  
14 to us.

15 MR. GATHERCOLE: Thank you very much, we would  
16 like to do that.

17 MR. SINCLAIR: And I would have the right, I  
18 take it, to ask, when I receive it, for clarification?

19 THE CHAIRMAN: Well, when you stop asking  
20 questions it will be a fine day.

21 MR. SINCLAIR: Q. While we are at page 21  
22 and before we move to this point that I wish to deal with,  
23 if you look at that table which you refer to as the  
24 footnote from page 20 you say:

25 "The position of therailways is in one respect  
26 at least an unenviable one. On one hand they are  
27 subject to the limitations of the statutory rates  
28 on grain and flour and on others they are confronted  
29 with the aggressive competition of other carriers."  
30







1                   You refer to this footnote being the table  
2 which is shown on page 21. I agree with you that the  
3 problem -- that statutory rates do present a problem but  
4 I suggest to you, looking at 1958 to show how great that  
5 problem is, you show that statutory rates bring in 10.5  
6 of the revenues and it is based on the Waybill Analysis.  
7 If you use the same Waybill Analysis a portion of  
8 revenue ton miles moving on statutory grain I think you  
9 will find it is 32.5 per cent -- on a 100 per cent  
10 sample it is somewhat less but using the Waybill Analysis  
11 which is 10.5 in revenues equals 32.5 in work. I  
12 suggest to you that if you double the revenues from  
13 grain as the railways contend is necessary to put them  
14 on a just and reasonable basis and to fit into the  
15 rate structure in a reasonable way, those percentages  
16 would move markedly, obviously.

17                   MR. McDOUGALL: They would change.

18                   Q. I would suggest that the grain would  
19 come close to 20 -- 19 point something.

20                   MR. McDOUGALL: Yes.

21                   Q. And they would affect all the other per  
22 cents?

23                   MR. McDOUGALL: Naturally.

24                   Q. I would suggest what you have done here  
25 is take what is covered by the Board's Waybill Analysis  
26 and the Board's Waybill Analysis does not give any  
27 weight to international traffic or bridge traffic,  
28 that is traffic transit in Canada and that is a large  
29 volume on the Canadian Pacific, as you know.  
30





1 MR, McDOUGALL: It moves on both major lines  
2 -- oh, yes.

3 Q. And that put in here in the heading "Class  
4 and commodity rated traffic" would again markedly change  
5 those percentages?

6 MR. McDOUGALL: Yes, but you will have to  
7 supply the percentage that is of total because I cannot.

8 Q. All I am saying is this table has to be  
9 taken -- you point your source out -- and all I am saying  
10 is the source does not completely cover the picture,  
11 one, on account of the fact that statutory rates have  
12 been fixed at a level, fixed in 1899, and the other thing  
13 is that the Waybill Analysis does not cover inter-  
14 national and bridge traffic. That is all I am pointing  
15 out.

16 By the way, you have listed at page 22 a  
17 number of points that you say influence the economic  
18 activity and emphasize the importance of railway rates --  
19 influence the economic activity and emphasize the impor-  
20 tance of railway rates in certain parts of the province.  
21 Now, you have overlooked, I would suggest to you, one  
22 major factor that influences economic activity, and  
23 that is labour costs in industry in Ontario as compared  
24 with labour costs in other areas of Canada or in the  
25 United States or in countries in which the manufacturers  
26 or producers of materials in Ontario are competing.  
27 It is a very major factor, is it not, and one of growing  
28 importance, and one of the major disabilities of our  
29 North American economy?  
30





1 MR. GATHERCOLE: I would not call it a dis-  
2 ability.

3 Q. A major factor? It is a major factor  
4 influencing the economic activity. You would agree  
5 with that?

6 MR. GATHERCOLE: Well, it is a factor beyond  
7 any question, but the amount of wages being paid to  
8 labour depends upon your efficiency and productivity  
9 and contribution to the economy, and I would not wish  
10 to be put in the position of saying that low wages are  
11 a good thing because I am completely against it. I  
12 think what we want is high wages and high productivity  
13 so people can buy the products we are producing.

14 Q. But it is a factor which is as important,  
15 the cost of production, as freight rates, for instance?

16 MR. GATHERCOLE: Differences in labour costs  
17 in different regions of course have a bearing on the  
18 economic output.

19 Q. That is point No. 1, and we have agreed  
20 on that. My second point is that these labour rates in  
21 industry are just as important a factor as freight rates  
22 on the activity of these industries.

23 MR. GATHERCOLE: You are speaking, Mr.  
24 Sinclair, of labour rates?

25 Q. Labour costs.

26 MR. GATHERCOLE: Labour costs, but you can  
27 only speak of it in the manner in which you do in  
28 relation to the labour costs in another region. If you  
29 are speaking of labour costs in a part of Ontario you  
30







1  
2 have to take into consideration the labour costs that  
3 would be required to be paid in another part of the  
4 country or abroad.

5 Q. That is the point I put to you.

6 MR. GATHERCOLE: It is a difference in labour  
7 costs.

8 Q. And labour costs are higher in Ontario  
9 than, for instance, in the maritimes in industry?

10 MR. GATHERCOLE: Some parts of Ontario that is  
11 true.

12 Q. And they are higher than they are, for  
13 instance, in the United Kingdom or in continental  
14 Europe and they are higher than they are in Russia?

15 MR. GATHERCOLE: Yes, perhaps it is a very good  
16 thing.

17 Q. And those are all factors that influence  
18 the range of economic activity just as freight rates  
19 may influence the range of economic activity?

20 MR. McDUGALL: Labour costs do influence the  
21 range of economic activity.

22 THE CHAIRMAN: I think we will leave that  
23 subject now because Mr. Gathercole has very clearly indi-  
24 cated that the productivity ---

25 MR. McDUGALL: Yes, a combination of factors.

26 THE CHAIRMAN: We are not dealing with labour  
27 matters.

28 MR. SINCLAIR: Q. I understand that, Mr.  
29 Chairman, but my point is this: there is an indication  
30 in a number of submissions made to your Commission that





1 seems to think that railway costs are the only costs  
2 of production that are causing trouble and I do wish  
3 to point out to the Commission that this is, of course,  
4 wrong and railway costs as a matter of production may be  
5 the smallest.

6 THE CHAIRMAN: Of course, you must give the  
7 Commission credit for something and we do have some  
8 knowledge.

9 MR. MAURO: I think in fairness to Mr.  
10 Gathercole, at page 22, the very section my friend is  
11 referring to, Mr. Gathercole's evidence is, "among the  
12 numerous factors which influence economic activity."  
13 My friend is a little sensitive.

14 MR. SINCLAIR: The day that I become sensitive  
15 and am not getting paid for it will be quite a day.

16 MR. MAURO: Oh, you are getting paid for it.  
17  
18  
19 -  
20  
21  
22 -  
23  
24 -  
25  
26  
27 -  
28  
29 -  
30







1 MR. SINCLAIR: Q. One other point, and I  
2 think you will agree on this, Professor McDougall: on  
3 page 23 you say, in the middle of a paragraph there, that  
4 value of service rate structure is a device for shunting  
5 traffic over to the railways' competitors. I think we  
6 have agreed that if value of service or differential  
7 pricing is within the limits I have spoken about -- that  
8 of variable costs on the one hand and cost of competitive  
9 methods on the other hand -- that does not happen?

10 MR. McDOUGALL: And that these limits are  
11 shifting in time, so your footwork has to be very good.

12 Q. That is right. On page 24 you deal  
13 with heading (a) -- "The most serious inequities in  
14 the rate structure at the present time are those which  
15 flow from attempts to enjoy the benefits of a value of  
16 service rate structure when changes in the Canadian  
17 economy have destroyed the basis on which it once  
18 rested." Here again, if value of service is applied  
19 within the limits that we have spoken about earlier,  
20 that would not be so?

21 MR. McDOUGALL: Yes.

22 THE CHAIRMAN: Mr. McDougall, it may interest  
23 you to know that in the maritimes, where they have a  
24 rather cocky humour, they said the term was not  
25 "inequity" but it was "iniquity".

26 MR. SINCLAIR: Q. On page 25 you say that  
27 low rates on traffic have been in effect for a long  
28 time, and you are ready to contemplate the use of  
29 subsidies to meet the current problem. You suggest  
30 that those subsidies should be publicly recorded. You





1 would also agree that care should be taken that they do  
2 not be overstated -- that the true cost of the subsidy  
3 be apparent?

4 MR. McDUGALL: Yes.

5 Q. You would also agree that the reason for  
6 the subsidy should be clearly apparent?

7 MR. GATHERCOLE: Yes, I would definitely say  
8 that.

9 Q. We come to this point you were talking  
10 about, and that is this question about this northwestern  
11 area of Ontario, and you seemed to be of the view that  
12 because of percentage increases some disability has  
13 been suffered by this area because of its location; is  
14 that correct?

15 MR. McDUGALL: This particular paragraph owes  
16 its existence to representations to us that pulpwood  
17 rates along the railways feeding into the head of the  
18 lakes had been subject to percentage increases, and  
19 to the point where movement no longer occurred by rail  
20 in the old volume.

21 THE CHAIRMAN: Mr. Sinclair, we are going to  
22 the head of the lakes and probably the best place to  
23 examine on that point would be there.

24 MR. SINCLAIR: Well, of course, this is but  
25 an example -- I do wish, if the Commission says it is  
26 not interested in horizontal increases, then of course  
27 I would be very glad not to pursue it.

28 THE CHAIRMAN: Well, we are very much inter-  
29 ested in it. It is one of the most important subjects  
30







1 before us.

2 MR. SINCLAIR: Well, I would like to get the  
3 views of the representatives of the Government of the  
4 Province of Ontario, if I may.

5 Q. I would like to know whether in any  
6 scheme to increase railway revenues, on account of the  
7 necessity for doing so having been established, you would  
8 not be so much concerned ---

9 MR. GATHERCOLE: I think the Prime Minister  
10 answered this question yesterday, and I would be threshing  
11 over old straw to repeat what he said, but he gave an  
12 affirmative answer to that. I would mention further  
13 that this matter of horizontal percentage increases  
14 is a question that affects southwestern Ontario as well  
15 as northwestern Ontario, and they feel a flat percentage  
16 markup in the rates does them an injustice because the  
17 absolute amount of the increase, where the transportation  
18 rate is higher, is so much greater, and for that reason  
19 we can understand, ourselves, that anomalies may arise,  
20 because a percentage increase on a higher rate may not  
21 represent the true increase in the cost of providing that  
22 service. In other words, the increase in the rate may  
23 be greater than the increase in the cost to the railroad.

24 THE CHAIRMAN: Mr. Gathercole, have you  
25 thought of any alternative for it?

26 MR. GATHERCOLE: I am sorry to say we haven't,  
27 but we can see this is a situation, and this may be an  
28 injustice that may arise, but it would depend upon an  
29 analysis of the cost of moving the goods.  
30







1 THE CHAIRMAN: You can see the Commission's  
2 problem?

3 MR. GATHERCOLE: Oh, very much.

4 THE CHAIRMAN: We have to take not only the  
5 complaint, but consider whether there is any alternative.

6 MR. GATHERCOLE: Yes.

7 MR. SINCLAIR: Q. Mr. Gathercole, for in-  
8 stance, this suggestion has been made, and in view of  
9 the Prime Minister's statement, in which you concurred,  
10 that there should be no penalty on the short-haul shipper,  
11 a method that took half of it in cents per 100 pounds  
12 and half the increase percentagewise would bias sub-  
13 stantially against the short-haul shipper?

14 MR. GATHERCOLE: Yes, as to the existing struc-  
15 ture of rates. If the existing structure or pattern  
16 of rates is a correct one and equitable and economic,  
17 and has some realistic relationship to cost, then what  
18 you say would be true, but if the existing structure of  
19 rates is not an economic one, then what you say ---  
20

21 Q. Then Ontario is not suggesting a complete  
22 brushing aside of the existing freight rate structure  
23 and the introduction of a new rate structure, is it?

24 MR. GATHERCOLE: We are not suggesting that,  
25 but what this brief has put forward on numerous occasions  
26 is that there should be a reappraisal of the rate struc-  
27 ture.

28 Q. That is going on constantly between indus-  
29 try and the railways: you know that?

30 MR. FRAWLEY: That is why we have it in the





1 mess it is in now.

2 MR. GATHERCOLE: Surely, the object of this  
3 Commission is to examine this. If everything was satis-  
4 factory in the making of the rates . . .

5 THE CHAIRMAN: There would not be a Royal  
6 Commission.

7 MR. GATHERCOLE: . . . why would there be a  
8 Commission?

9 MR. SINCLAIR: Q. Well, I could give you many  
10 answers to that, but I won't.

11 Let me make another suggestion to you: in answer  
12 to the Chairman you said you were concerned with the  
13 question of the distribution of costs between the various  
14 lengths of haul: would you then support a proposition,  
15 instead of a flat percentage increase, of a graduated  
16 percentage increase, graduated with distance?

17 MR. GATHERCOLE: We have not studied the  
18 structure of the rate system sufficiently in order to say  
19 what formula should be devised to meet this need. That  
20 is not our function. We are here to present ideas.

21 THE CHAIRMAN: Mr. Gathercole, if you have  
22 any ideas -- you or Mr. McDougall -- on that point, we  
23 would be very glad if you would give them to us.

24 MR. SINCLAIR: Q. I would only make one fur-  
25 ther suggestion: what I am trying to point out is that  
26 there are many methods of doing things, but you have to  
27 be careful as to the effect of those methods. Here  
28 is one other that you may consider: the suggestion I  
29 make to you is, rather than use the percentage increase  
30







1 as it has been in the past, that these increases apply  
2 only on traffic whose earnings to the railways are less  
3 than 3 cents per ton mile, and anything that is paying  
4 more than that be exempt: what would you think of that  
5 kind of method?

6 THE CHAIRMAN: Well, I think you had better  
7 leave that, Mr. Sinclair. It is in the record, and they  
8 can consider it and give us their suggestions.

9 MR. SINCLAIR: Q. On page 26 you point out  
10 that Ontario people will not wish to sit idly by while  
11 the disparity between the rates on the staple exports  
12 of the prairie west and of northwestern Ontario grow  
13 wider and wider. You, of course, I take it, recognize  
14 that if you have a fixed statutory rate, as you have for  
15 grain, and costs increase, and you are not allowed to  
16 adjust those rates with increased costs or changing dis-  
17 tances of transportation, the inevitable result is that  
18 the burden is put on the railways and shippers of other  
19 than that traffic?

20 MR. GATHERCOLE: Unless the revenue is forth-  
21 coming from some other source.

22 Q. For instance, a subsidy?

23 MR. GATHERCOLE: Yes.

24 Q. That is what you have in mind by that?

25 MR. GATHERCOLE: Yes, I was just rounding out  
26 your argument.

27 Q. You were in charge of this brief, and that  
28 reminds me of one question: that is what you had in mind  
29 on page 2 in the brief where you state, "Finally, are  
30





1 rates or other sources of revenue sufficient to ensure  
2 an efficient system of transportation capable of con-  
3 tributing fully to our economic development?" That  
4 other source is the same as you have just answered to  
5 me now?

6 MR. GATHERCOLE: Yes, we believe that an  
7 efficient system should have the revenue which is  
8 making its full contribution to the economy.  
9

10 -  
11  
12  
13  
14 -  
15  
16  
17  
18 -  
19  
20  
21 -  
22  
23  
24 -  
25  
26  
27 -  
28  
29  
30





1 Q. This is my final point with you, Mr.  
2 Gathercole. It is the position of your submission that  
3 the railways should stand on their own feet, as it has  
4 been expressed?

5 MR. GATHERCOLE: In so far as possible.

6 Q. The only place where they should not stand  
7 on their own feet is where national interests -- such as  
8 the movement of grain, if that is so -- require some  
9 assistance?

10 MR. GATHERCOLE: Right.

11 Q. You would agree that it would create sub-  
12 stantial misallocation of resources if profits or losses  
13 in businesses other than the railways were taken into  
14 account in fixing the railway revenue?

15 MR. GATHERCOLE: That comes back to a question  
16 which you were discussing with the Prime Minister -- no,  
17 I guess he did say he might leave part of that to us.  
18 I think we have set that out actually in this submission.

19 Q. You have set it out, but I must say that  
20 -- and this is my fault, of course -- I found it just  
21 a little hard to follow.

22 MR. GATHERCOLE: I think we have to be realis-  
23 tic in this.

24 Q. This is subsection (d) on page 27?

25 MR. GATHERCOLE: Yes.

26 Q. You were saying we have to be realistic?

27 MR. GATHERCOLE: I say we have to be realistic  
28 and, I think, recognize that the railways are going to  
29 need capital and if they are not going to get a satisfactory  
30







1 return on the capital that they require to invest in  
2 rails, then they are not likely to make the investment.  
3 I think that is true of anyone.

4 Q. In other words, you say the railways  
5 should, like other industries, earn a reasonable return  
6 on their capital, having like risks and matters of that  
7 kind -- is that correct?

8 MR. GATHERCOLE: Frankly, I do not express a  
9 personal opinion here. It is unlikely that any large  
10 institution is going to make an investment unless it  
11 sees a reasonable probability of a fair return on it.  
12 If you are looking for efficient railroads, as we are,  
13 then I think they must have a reasonable return on the  
14 investment that they make in the railroad equipment.

15 Q. I thank you for that and I think you  
16 stated that point very clearly. Now, I wonder whether  
17 you would turn your mind to this other point. You would  
18 agree that it would be a misallocation of resources if  
19 earnings or losses from other than the railway business  
20 were taken into account in fixing railway freight rates?

21 THE CHAIRMAN: Misallocation was one question  
22 on which you were submitting something in writing.

23 MR. SINCLAIR: This is a different point, Mr.  
24 Chairman, with respect.

25 THE CHAIRMAN: The same subject.

26 MR. SINCLAIR: The Commission rules, I take  
27 it, that that question is not to be answered.

28 Q. Let me put it this way to you, Mr.  
29 Gathercole. Let me ask you this. If the railways are  
30





1 to stand on their own feet, they cannot have their rates  
2 adjusted by, for instance, the investments in Consolidated  
3 Mining and Smelting, for example?

4 MR. GATHERCOLE: I understand what you are  
5 saying.

6 Q. You would agree with that?

7 MR. GATHERCOLE: I understand what you are  
8 saying.

9 Q. My point is this: would you agree that  
10 it would not be in the interests of efficient railway  
11 operation to have railway rates take into account non-  
12 railway revenues?

13 MR. GATHERCOLE: You are trying to pin us  
14 down.

15 Q. If you have no thoughts on it ---

16 THE CHAIRMAN: Let him answer it.

17 MR. GATHERCOLE: I think I have made a fair  
18 statement of our position here and I do not think it is  
19 necessary for us to get in and consider the whole range  
20 of ancillary investments that the railways may have in  
21 oil lands or hotels or all the other things. We have  
22 made, I think, a clear and plain statement of the sub-  
23 ject.

24 THE CHAIRMAN: The Premier was asked yester-  
25 day on that, too, Mr. Sinclair.

26 MR. SINCLAIR: Q. Would it be your position  
27 that you would be prepared to allow the detail of that  
28 question to be determined by the Board of Transport  
29 Commissioners under the Railway Act?  
30







1 MR. GATHERCOLE: Yes. I mean, we have nothing  
2 further to advance on that other than what we have al-  
3 ready said and we feel that someone must determine this  
4 matter -- there is no question about that -- and it is  
5 not for us to establish the pattern that such body that  
6 makes the determination will adopt.

7 MR. SINCLAIR: Thank you very much, Mr.  
8 Chairman.

9 THE CHAIRMAN: I think we will have a recess  
10 before hearing Mr. McDonald.

11  
12  
13 ---Short recess.  
14  
15  
16 -  
17  
18  
19 -  
20  
21  
22  
23 -  
24  
25  
26 -  
27  
28  
29 -  
30





1 THE CHAIRMAN: Mr. McDonald?

2 MR. McDONALD: I will be very short, Mr.

3 Chairman. My friend Mr. Sinclair has covered it pretty  
4 well and I don't want to cover the same ground twice.  
5

6 CROSS-EXAMINATION BY MR. McDONALD:

7 Q. Now, on page 3 of your submission, at  
8 the bottom of the page, you speak about the tendency for  
9 rigidities to develop in the field of rail transporta-  
10 tion. You may not be aware of this, but I would like  
11 to point out that the Canadian National has under study  
12 at the present time a complete scheme of reorganization  
13 for the whole system. Have you heard about that?

14 MR. McDOUGALL: No, I haven't.

15 Q. Which takes in not only the operating but  
16 also the handling of traffic right over from one end of  
17 the system to the other, and that should be in effect  
18 this year.

19 Then on page 9 you refer to railways operating  
20 under many of the old rules established before World War  
21 I which are no longer tenable. Did you have anything  
22 particularly in mind there?

23 MR. McDOUGALL: Well, there was in our mind  
24 perhaps in relation to labour the change was distinctly  
25 slow.

26 Q. What do you mean? Could you elaborate  
27 on that?

28 MR. McDOUGALL: That there was under the new  
29 conditions, with a constant train crew and constant  
30 standard day you might, especially in relation to the





1 lighter lines, the lines of a lighter density, find  
2 yourself under an undue disadvantage against motor  
3 transportation.

4 Q. That is what you were referring to?

5 MR. McDUGALL: Yes.

6 Q. Then on page 22 you are talking about high  
7 transportation costs. There are just a few general  
8 principles I might deal with. Do you agree with me that  
9 all rates should meet at least the variable costs of  
10 handling the traffic in question?

11 MR. McDUGALL: Yes.

12 Q. And then some rates, other rates which  
13 should cover not only the variable costs but the total  
14 cost of that traffic, taking in a portion of the constant  
15 cost?

16 MR. McDUGALL: Yes.

17 Q. Then we have something to pick up those  
18 rates between those which meet the variable cost and  
19 those which meet the total cost, and then there are other  
20 rates which will have to show a profit over the total cost  
21 to pick up the slack?

22 MR. McDUGALL: If it is possible, I think  
23 what our submission says is that it varies where your  
24 competition is most severe, and I think reference to the  
25 Waybill Analysis will show that so far as Canadian  
26 traffic at least is concerned the high water mark date  
27 was reached in 1953, revenue per ton mile on traffic  
28 other than statutory rates, and therefore there may be  
29 many things which you can't pick out.  
30







1 Q. That is one of the problems we have,  
2 that you have to reduce rates down to variable cost,  
3 otherwise cross subsidization.

4 MR. McDOUGALL: That is your problem.

5 Q. And you haven't any solution to that  
6 problem?

7 MR. McDOUGALL: No, sir.

8 Q. Then proceeding to your statistics, you  
9 have at page 31, Table A, revenue freight traffic, and  
10 you are dealing with tons of traffic and going back to  
11 1875, and, as was pointed out, there was some duplication  
12 in there, the traffic was interlined?

13 MR. McDOUGALL: Yes.

14 Q. And my suggestion to you was that before  
15 1923 there were many more railways in Canada and there  
16 was more interlining of traffic. The reason I say  
17 1923 is that that was the amalgamation of the Canadian  
18 National Railways into one.

19 MR. McDOUGALL: Well, I agree with your state-  
20 ment, but my difficulty is in finding a pronounced effect  
21 in column 3 at page 32 there, where it would appear as if  
22 the position was made over that period, or else the  
23 interchange between the sections of C.N.R. was not as  
24 great as one might think. I don't know. I am just  
25 trying to admit my ignorance in saying why I can't see  
26 any powerful change as I would expect at that time.

27 Q. Well, there is a drop between 1923 and  
28 1924 from 118,000 tons to 106,000 tons.

29 MR. McDOUGALL: But the year 1923 was a very  
30





1 good crop year, 1924 was not.

2 Q. But there is some duplication, and as the  
3 lines were amalgamated there would be less duplication?

4 MR. McDUGALL: Yes.

5 Q. To examine Table A, the traffic originated  
6 on Canadian lines. Of course, there is no duplication  
7 in that?

8 MR. McDUGALL: None.

9 Q. And in your first column, 1919, there are  
10 61,023 (thousands) and in 1958 you have 129,238 (thousands).  
11 That is twice as much?

12 MR. McDUGALL: Yes. And look also at column  
13 4 where you run from 7.32 to 7.57 tons.

14 Q. Yes, that is on per head of population.

15 MR. McDUGALL: Yes.

16 Q. Then would you agree with me that the per  
17 ton mile basis is a truer measure of the work done by the  
18 railway than tons of traffic?

19 MR. McDUGALL: I am very unhappy about any  
20 single measure, sir. That is, I would like to combine,  
21 if I could, in some fashion not only ton miles but car  
22 miles. It seems to me that if you have in some of the  
23 mineral traffic 60 tons per car you are going to run up  
24 ton miles very fast, but I am not sure you increase cost  
25 with an equal speed or increase the service performed.

26 Q. Going back to 1913, as we all know, there  
27 were no trucks, automobiles, and so on and so forth, and  
28 the railways handled traffic, oh, for distances of ten  
29 miles, fifteen miles, twenty miles?  
30







1 MR. McDOUGALL: Yes.

2 Q. But the work performed -- really the  
3 measure of the work performed is where you get it  
4 handled 800, 900, 2,000 miles?

5 MR. McDOUGALL: I think we both agree, sir,  
6 that the work performed -- the draft on community  
7 resources to conduct transportation is less as you get  
8 heavier loading per car and you move over longer dis-  
9 tances.

10 Q. Fifty tons of traffic in 1915 which  
11 travelled fifteen miles -- if you get that amount  
12 travelling fifteen hundred miles, that is different?

13 MR. McDOUGALL: Yes.

14 Q. That is the reason I suggest that the  
15 per ton mile is a better measure of the work done by  
16 the railway.

17 MR. McDOUGALL: I would agree with you if we  
18 both agree that neither one in isolation is very good.

19 Q. It is the best we can get so far?

20 MR. McDOUGALL: If you don't want to accept  
21 any compound measure.

22 Q. I haven't seen one yet.

23 MR. McDOUGALL: I would hate to produce it,  
24 but I think conceptually you have to consider the case.

25 Q. You haven't produced one yet?

26 MR. McDOUGALL: No.

27 Q. And also, Mr. Gathercole, you are aware  
28 that the Canadian National Railways expects to complete  
29 its total dieselization programme this year, and they  
30





1 have spent many millions of dollars on new equipment,  
2 both passenger and freight, since 1945?

3 MR. GATHERCOLE: Yes.

4 Q. And the railways, within limits, of course,  
5 of the capital available, have done a major job in  
6 trying to modernize their plants. Would you agree with  
7 that?

8 MR. GATHERCOLE: Yes.

9 Q. And, of course, in a large organization,  
10 as you said, there is always room for improvement, and  
11 we are constantly striving to improve our plant and  
12 improve our work to meet modern conditions?

13 MR. GATHERCOLE: Yes.

14 MR. McDONALD: Thank you very much.

15 THE CHAIRMAN: Mr. Mauro?

16  
17 CROSS-EXAMINATION BY MR. MAURO:

18 Q. I believe, Mr. Gathercole, that yesterday  
19 my learned friend Mr. Sinclair discussed with you the  
20 matter of how the C.P.R. could have a healthy financial  
21 situation where 32 per cent of their work or revenue  
22 ton miles returned only 10 per cent of the revenue. He  
23 was referring to the carriage of grain and grain pro-  
24 ducts at statutory rates. I wondered whether you had  
25 also examined, at the time you were preparing your  
26 material, some of the analogous figures for passenger  
27 services of the two railroads?

28 MR. McDOUGALL: No, sir, we did not.

29 Q. I am advised that from the 1958 annual  
30 report of the Canadian Pacific Railway passenger train





1 miles represented 36.7 per cent of the total train miles,  
2 while passenger revenue represented 11.9 of total  
3 rail revenue?

4 MR. McDUGALL: Was that passsnger train  
5 revenue?

6 Q. Passenger revenue; and in the case of  
7 Canadian National, while passenger train miles repre-  
8 sented 36.7 per cent of the total train miles, passenger  
9 revenue represented only 7.2 per cent of total rail  
10 revenue. I mention these to underline the fact that  
11 there are other areas that require very serious re-  
12 appraisal in trying to consider the financial problems  
13 of the railroads and their attempting to operate as  
14 a healthy business.

15 MR. McDUGALL: I don't feel able to really  
16 comment seriously on that because of the definition of  
17 what makes a passenger train. As I understand it --  
18 I speak subject to correction -- a passenger train is  
19 one in which there are more passenger car miles than  
20 freight car miles. The old mixed classification  
21 disappeared in 1935. I have never seen any distri-  
22 bution in the total passenger train miles between a  
23 train handling purely passenger cars and a mixed train  
24 that happened to have freight cars behind it.

25 --

26 --







1 Q. From your investigations on this subject  
2 do you think that the railways are making money on their  
3 passenger services?

4 MR. McDOUGALL: No.

5 Q. I think you will agree that the railways  
6 in Canada are losing substantial sums on the operation  
7 of passenger services?

8 MR. McDOUGALL: If they told me so I would be-  
9 lieve it, but I have not made a check on this for nearly  
10 twenty years.

11 Q. Another point touched upon by Mr.  
12 Sinclair was, he referred to the fact that the statutory  
13 rates on grain were established in 1899 and suggested  
14 that a rate that had been established in 1899 and had  
15 taken no increases since that date must of necessity  
16 be an unreasonable, an unjust rate. I suggest, Mr.  
17 Gathercole or Professor McDougall, that a rate without  
18 a minimum is a worthless statistic -- a rate without a  
19 minimum is a worthless statistic. Minimum rate is  
20 what I am referring to. In 1899 the loading character-  
21 istics of box cars and equipment was around twenty or  
22 thirty thousand pounds and the rate today fixed on a  
23 55,000 minimum, 100,000 55-ton reveals a very marked  
24 increase in revenue per car over the 1899 situation.

25 MR. McDOUGALL: There has been a change,  
26 yes, sir, but what I think is equally important is the  
27 change in all money prices in the interim. I said  
28 "equally", perhaps I should have said more important.

29 Q. There is under the Crow rate on the  
30





1 movement of grain from Winnipeg to Fort William, the  
2 revenue per car is \$154 -- you can subsequently check  
3 my figures and if they are incorrect you may advise the  
4 Commission. We mentioned previously in our hearing  
5 at Ottawa that there presently exists a rate on piggy-  
6 back from Fort William to Winnipeg, household furniture.  
7 The rate was introduced in March of 1959, not 1899, and  
8 that rate returns a per car revenue of \$112. Now,  
9 you and I could discuss the differences in handling and  
10 various aspects of the particular traffic but I just  
11 advance these figures to suggest that the simple fact  
12 that a rate was instituted in 1899 does not by that  
13 reason make it a bad rate. It could still be returning  
14 revenue, a good revenue, to the railway.

15  
16 MR. McDOUGALL: In and of itself it is not  
17 conclusive, no.

18 Q. Now, Mr. Sinclair also discussed with  
19 you some of the figures on page 18 of your submission and  
20 he mentioned there was a certain disability or short-  
21 coming in those figures and you, Professor McDougall,  
22 very properly pointed out that the disability that you  
23 worked under was the fact that there is minimum infor-  
24 mation available in Canada. Did I understand you cor-  
25 rectly?

26 MR. McDOUGALL: I would not say "minimum",  
27 I would say there was not enough to make the alter-  
28 native computation that you suggested.

29 Q. Are you familiar with the burden studies  
30 that are made under the Interstate Commerce Commission







1 in the United States?

2 MR. McDOUGALL: Not closely.

3 Q. Would it be your evidence before this  
4 Commission that the Commission might be well advised to  
5 consider making some recommendation as to more detailed  
6 information on the part of the Canadian railways to  
7 assist interested parties who have the same problems  
8 that you are faced with in preparing this submission?  
9

10 MR. McDOUGALL: I have an actual bias in that  
11 direction. I am one of the more interested consumers  
12 of DBS statistics, but I would put this proviso upon it,  
13 that I would want to see the figures such that they  
14 would be of use to the railways in managerial control.  
15 I do not believe that life is lived to produce statistics.

16 Q. I assume that you feel the Waybill Analysis  
17 has been of some assistance to railway management?

18 MR. McDOUGALL: Well, let them answer it, but  
19 I think it should be.

20 Q. Well, they refer to it frequently them-  
21 selves?

22 MR. McDOUGALL: They may do, you follow it and  
23 I do not.

24 Q. Additional information along these lines  
25 would appear to be of assistance both to railway manage-  
26 ment and shippers generally -- more detailed information.

27 MR. McDOUGALL: If it is useful, yes.

28 Q. Now, you have mentioned in the submission  
29 this matter of value of service, cost of service, and I  
30 suggest that the modern or more recent approach to this





1 definition of value of service is where the real change  
2 has come about that we are now entering a period where  
3 interested traffic people and railway people are con-  
4 sidering value of service, not the value of the commodity  
5 being shipped but the actual value of the service being  
6 performed. Is that your ---

7 MR. McDOUGALL: I have never thought of it  
8 otherwise -- I am sorry.

9 Q. Well, there were very interesting discus-  
10 sions before the Senate Committee considering Bill C-38  
11 in the earlier part of this year where one of the senators  
12 from the maritimes was questioning Commissioner Knowles  
13 and he wanted to find out why a product partially pro-  
14 cessed travelling the same mileage received one rate  
15 and the same product in final process received a higher  
16 rate. I want to do justice to Commissioner Knowles  
17 when he said this goes to the very bedrock of our rate  
18 making system in Canada that on value of service high  
19 rated commodities carried higher rates.

20 MR. McDOUGALL: Well, I had thought of it as  
21 being in a sense a correlation, that if you could not  
22 measure directly how much the service was worth then  
23 you proceeded indirectly through the value of the com-  
24 modity. The two tended to be closely associated.

25 Q. But if competition has done anything to  
26 our rate structure in Canada and in North America it  
27 has had the effect of making the value of service  
28 exactly that, the value of service performed rather than  
29 the situation that existed under the monopolistic  
30





1 transportation system where value of service was more  
2 closely allied to the value of the commodity being  
3 shipped.

4 MR. McDOUGALL: It gives you a chance to  
5 measure the value of service to the shipper but I  
6 question whether it is any more now than it was formerly.

7 Q. It is ---

8 MR. McDOUGALL: I am talking only of my idea  
9 of what traffic officers do. I cannot state the facts.  
10 I thought they were trying to measure value of service  
11 to the shipper or to the receiver that when they could  
12 do it directly they would do it but when they could not  
13 do it directly they would proceed through the value of  
14 the commodity on the ground that there was an associa-  
15 tion. If you made a scatter diagram you would get a  
16 good pattern between the value of the commodity per  
17 hundred pounds and the value of the service. Well,  
18 now, you have the alternative transportation and, there-  
19 fore, instead of proceeding through a correlation  
20 approach you proceed directly.

21 Q. When the cost of service principle is  
22 defined you get closer to the actual cost of performing  
23 the service regardless of the value of the commodity  
24 being shipped?

25 MR. McDOUGALL: Yes, that is you are in the  
26 process of knocking off the high rates, and, therefore,  
27 you must also list the low.

28 Q. At page 15 ---

29 THE CHAIRMAN: Mr. Mauro, if you have any  
30







1 questions to direct to Mr. Gathercole you might do it  
2 as soon as you can because he has, I am advised, a  
3 legislative duty to attend to which will take him away  
4 at eleven-thirty.

5 MR. GATHERCOLE: I can stay until a quarter  
6 to twelve.

7 MR. MAURO: Q. Very well. At the top of  
8 page 15 there appears this statement:

9 "The most important factor of all has been  
10 left to the last, namely the nature of railway pricing.  
11 From the very beginning of railway operation, the prices  
12 charged for railway service has been a function of  
13 demand rather than of cost of service. There are  
14 many reasons for this."

15 Now, just for the interests of the Commission,  
16 and knowing that they have made a fairly extensive  
17 study of this, I wonder if you have considered any  
18 other pricing methods that might be utilized by  
19 Canadian railroads? For instance, one reads about  
20 a rate based on a charge per car and mileage with a  
21 mileage scale, and this would have a true value of  
22 service, would it not? In other words ---

23 MR. McDUGALL: You mean having a basic  
24 charge which is really the terminal cost plus a mileage  
25 cost?  
26

27 Q. They rent the car and whatever I put  
28 into it -- there may be a surcharge for such things as  
29 explosives or something like that -- but they rent the  
30 car to me and I say I want to move it from Toronto to





1 Winnipeg and they have a rate.

2 THE CHAIRMAN: The content would be immaterial,  
3 gravel or boots and shoes?

4 MR. MAURO: Yes.

5 MR. McDUGALL: I had not heard that seriously  
6 advanced up to now.

7 MR. MAURO: Q. Is it not one of the prin-  
8 ciples underlying piggy-back?

9 MR. McDUGALL: I cannot say, I do not know  
10 the piggy-back rates.

11 Q. What about citrus fruits in the United  
12 States?

13 MR. McDUGALL: Equally I do not know.

14 Q. And then, as to pricing, do you think per-  
15 haps there is something that might be done with the de-  
16 murrage rules that instead of having them used as a  
17 penalty situation they might be used as an incentive?  
18 A shipper may receive a reduction in demurrage fees if  
19 he unloaded his car quicker than the time allocated?  
20

21 MR. SINCLAIR: Did my friend ask whether the  
22 demurrage rules should be applied?

23 MR. MAURO: No, whether the demurrage rules,  
24 the present rules, be reexamined from the point of view  
25 of incentive.

26 THE CHAIRMAN: You are inviting there, you  
27 know.

28 MR. SINCLAIR: We have brought it to his atten-  
29 tion.

30 MR. MAURO: Q. There is always an open







1  
2 invitation. I wondered if in your interest in this  
3 field of transportation economics you have considered any  
4 of these other devices that might assist the railways in  
5 adapting themselves to modern conditions?

6 MR. McDOUGALL: I had not considered that  
7 particular one. I see nothing against it but this is  
8 a snap judgment.

9 COMMISSIONER MANN: Are you referring to the  
10 average demurrage, Mr. Mauro?

11 MR. MAURO: No.

12 Q. Now, at page 14 at the top of the page:

13 "There is no doubt whatever, that this  
14 reduces direct costs; but it also involves  
15 indirect costs of no mean order. The making  
16 up and breaking of long trains in the initial  
17 and final terminals is not only expensive in  
18 itself; it also consumes a great deal of  
19 time. Holding traffic up until a full train-  
20 load has been accumulated also reduces the  
21 value of service to the shipper. So long  
22 as shippers had no alternative, the rest of  
23 the economy was forced to adjust itself to the  
24 operating necessities of the railways. Traffic  
25 was delivered to the railway; eventually it  
26 was received by the consignee; but the inter-  
27 vening period of highly uncertain lengths were  
28 set so as to minimize the movement cost which  
29 the railway had to bear, not to maximize the  
30 value of the service."





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Gathercole )  
McDougall )  
(Mauro)

cr-ex

7241

1 I wonder, applying that information to the  
2 movement of grain -- as I understand it grain is handled  
3 in the largest possible trains, it is handled in fully  
4 loaded cars, the transit time is not a factor and the  
5 railways are able to minimize their cost of movement,  
6 to use your phraseology.  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 MR. McDOUGALL: I would think once it gets on  
2 the main lines that probably it is true. I have just  
3 not the knowledge to speak of what the average trainload  
4 is.

5 Q. Would you then conclude that the direct  
6 costs of the handling of grain would be reduced?

7 MR. McDOUGALL: Yes.

8 Q. On page 10, Professor McDougall, the  
9 second complete paragraph:

10 "An examination of the net total of  
11 freight originated on Canadian lines, and re-  
12 ceived from foreign connections (Graph II),  
13 does very little to modify the impression  
14 created by the first graph. It is clear that  
15 there has been no net gain in the per capita  
16 amount of traffic carried and the indication of  
17 a downturn since 1945 is plain. The appearance  
18 of a strong recovery in 1956 is subject to  
19 qualification."

20 Did you take a look at the capital expenditures made by  
21 the railways during these corresponding periods when you  
22 were assessing traffic per capita tonnage?

23 MR. McDOUGALL: No.

24 Q. Because it is our opinion that during the  
25 same period the provinces were complaining strenuously  
26 to the Board, and on one occasion at least to the Privy  
27 Council, that the railways were making extreme outlays  
28 of a capital nature in order to, as alleged by the rail-  
29 ways, improve plant, and the argument of the provinces  
30







1 was that this was not being reflected in lower unit  
2 costs or in lower rates. According to what you have  
3 ascertained, as far as the per capita tonnage is con-  
4 cerned, it would tend to corroborate, if during the same  
5 period they were making large capital outlays, that  
6 those capital outlays were not being reflected in the  
7 amount of traffic being carried or in the per capita  
8 traffic being carried by the railways?

9 MR. McDUGALL: Well, that is not my reading  
10 of the facts. I would say that in this period, let  
11 us say, from 1943 on to the present -- limiting it to  
12 that peak -- and especially the years from 1947, that  
13 no doubt they were making very substantial capital in-  
14 vestments, but the gains which were made were being  
15 masked by losses elsewhere. I think perhaps I can  
16 give you a parallel where it does show up very clearly.

17  
18 Between 1923 and 1928 the number of passenger  
19 miles per head of population was nearly constant, but  
20 the number of passengers declined. Now, I take it --  
21 and this is a pure hypothesis based on the few figures  
22 I can get -- that what was happening was you were  
23 getting more of the long distance movement, but you  
24 were losing heavily in passenger traffic on the branches,  
25 and that produced what appeared like a stationary posi-  
26 tion but, in fact, there was a serious deterioration  
27 going on underneath. I say here, I think yes, that  
28 if they had not made the capital investments they have  
29 since the war they would be in a far worse state than  
30 they now are, but the benefits are being absorbed by





1 the progressive losses in areas which I can only  
2 speculate on; I can't point them out.

3 Q. On page 17 of your submission:

4 "The Province of Ontario has the largest  
5 population of any province in Canada. It has  
6 within it the lines of the greatest density  
7 of any in Canada, and the average density of  
8 traffic is also the highest in the country.  
9 The traffic originating in Ontario produces  
10 revenues per car mile which are well above  
11 the national average."

12 Is it correct that the greater portion of the manu-  
13 factured goods shipped from Ontario, and which produce  
14 these high revenues per car mile, are sold f.o.b.  
15 the factory?

16 MR. McDUGALL: I couldn't answer. I doubt  
17 anybody could answer that one.

18 Q. Do you think they are?

19 MR. McDUGALL: I just don't know. I don't  
20 know anybody I could ask.

21 Q. My friend Mr. Stechishin says, certainly,  
22 the people in Manitoba have some pretty definite views  
23 of who pays the freight from the Ontario plant to the  
24 Winnipeg consignee. It is our suggestion that on these  
25 high rated manufactured goods that they are, in fact,  
26 f.o.b. the factory and, while it shows a high revenue  
27 per car mile, the price is being paid by the consignee  
28 and not by the manufacturer shipping it.

29 THE CHAIRMAN: That was your evidence in  
30







1 Winnipeg.

2 MR. MAURO: Q. Now, on that same page ---

3 MR. SINCLAIR: Let him answer.

4 MR. McDUGALL: I didn't think there was an  
5 answer required.

6 MR. SINCLAIR: I would like to know whether he  
7 is also going to say that in Manitoba they were the  
8 unusual economic anomaly that they paid the freight on  
9 everything they received and on everything they shipped  
10 as well.

11 MR. MAURO: We say it and we proved it.

12 MR. SINCLAIR: Oh, I certainly don't think  
13 they proved it, Mr. Chairman.

14 MR. MAURO: Not to my learned friend's satis-  
15 faction.

16 MR. SINCLAIR: Not to anybody's satisfaction.

17 MR. MAURO: The proof is there.

18 Q. "Upon this basis, the average car mile  
19 revenue from traffic originating in Ontario is  
20 58.08 cents, as against a national average of  
21 52.79 cents . . ."

22 What were the sources of those figures?

23 MR. McDUGALL: If you will compare the final  
24 column of table 3 with the first column of table 4 you  
25 will see that table 4 merely reproduces that. Your  
26 average revenue per car mile is pulled out of the Way-  
27 bill Analysis.

28 Q. I have the Waybill Analysis here, and on  
29 page 3 it says, "Total Canada, all traffic, 55 cents."  
30





1 MR. McDOUGALL: Well, if you look at table 2,  
2 the final column, the line numbered 900, "Total  
3 products -- 34 cents", and, similarly, for Group 2  
4 "Animals and products, line 910, 43 cents", and so on  
5 down.

6  
7 Q. But what I am interested in knowing is,  
8 you have the national average on page 17 listed as  
9 52.79?

10 MR. McDOUGALL: Yes. These percentages on  
11 column 1, table 4, are five-year average percentages.

12 Q. Yes. Have you included export or import  
13 traffic?

14 A. No, sir. This is strictly carload  
15 traffic loaded at stations in Ontario, as the headnote  
16 suggests.

17 Q. If you had included export/import traffic,  
18 this would reduce the Ontario average?

19 MR. McDOUGALL: You will find that in the next  
20 sentence -- that is, on page 17, "If one uses the pro-  
21 portion of total traffic originated and received from  
22 connections as weights, the figures become 55.32 and  
23 53.51 cents respectively, or a spread of 3.4 per cent.

24 Q. Where did you obtain these figures for  
25 the export/import?

26 MR. McDOUGALL: They are not reflected in the  
27 rates.

28 MR. SINCLAIR: I wonder if the witness and  
29 counsel are not using the phrase "export/import traffic"  
30 in a different sense, the witness as meaning in and out





1 of the United States, which we generally term inter-  
2 national rather than offshore traffic, which certainly  
3 does originate in Ontario and would be included in the  
4 figure in the Waybill Analysis.

5 MR. McDUGALL: Well, I am sorry. I was,  
6 in fact, thinking of the import/export traffic as being  
7 traffic interchanged with the United States, and in that  
8 case I depart from the current practice.

9 MR. MAURO: Q. You are aware, Professor  
10 McDougall, that while the Waybill Analysis shows an  
11 average of 55 cents per loaded car mile, the annual  
12 report of the C.P.R. shows 46 cents?  
13

14 MR. McDUGALL: Yes, but you must remember  
15 that the C.P.R. is more heavily dependent on grain  
16 traffic than the average for the country.

17 Q. Well, the C.N.R. -- it is not reflected  
18 in the revenue per car mile of the C.N.R.?

19 MR. McDUGALL: If you will look in Part V  
20 of Railway Transport, for any year -- I think especially  
21 in 1958 -- you will see that C.P.R.'s percentage of  
22 tons loaded and of cars handled is higher than that  
23 of C.N.R., and, I think, than the average for the whole  
24 country.

25 Q. If there is this inequality of the hand-  
26 ling of particular commodities, one would expect the  
27 C.N.R. average per loaded car mile would more closely  
28 reflect the national average of 55 cents, demonstrated  
29 by the Waybill Analysis, but that is not the case. I  
30 am suggesting there is a considerable amount of







1 international traffic and export/import traffic that  
2 must originate -- and I suggest a great deal originates  
3 in Ontario -- that would reduce the national average  
4 of 55 cents to a level of 46 cents as demonstrated by  
5 the railways, because the Waybill Analysis does not  
6 include these others?  
7

8 MR. McDUGALL: There are a number of factors  
9 here, and that is one of them. And the fact that the  
10 C.P.R. is very much more a grain railroad than an  
11 industrial railroad is also one of them.

12 Q. On page 25, the first complete paragraph:

13 "If, for reasons of national policy, low  
14 rates must be given on some traffics, the rail-  
15 ways should not -- and in many cases cannot --  
16 offset them by raising rates on other traffics."  
17 Are you prepared to give any definition of what is a  
18 low rate, Professor McDougall or Mr. Gathercole?

19 MR. GATHERCOLE: That would depend on what  
20 the analysis of the cost in the service was. We are  
21 simply saying there that in many places on many lines  
22 the railway is unable to set a higher rate for the  
23 movement of goods because of competition.

24 -

25  
26  
27 -  
28  
29  
30





1 We are saying that in other places, in other  
2 regions, where they may have a set of rates which would  
3 be in excess of the cost of moving, that it would be  
4 detrimental to the development of that region if it  
5 did so.

6 Q. Well, the lower rate, I assume would be  
7 certainly one that would be below the cost of providing  
8 the service. We can agree on that?

9 MR. GATHERCOLE: I think this involves  
10 rather an extended discussion about the conditions  
11 governing the operation of any particular line. There  
12 are undoubtedly cases where the railway can only  
13 recover its out-of-pocket cost. In general, I think,  
14 our position is this, that if the railway is going to  
15 make an investment in modern structure, then it has got  
16 to recover a reasonable return on the investment.

17 Q. I want to assure you I am not going to  
18 disagree with this. I think it is an important factor  
19 that should be considered by this Commission. The  
20 Province of Manitoba feels strongly about this, that  
21 there are at present in the rate structure rates that are  
22 not making a fair contribution to the fully distributed  
23 costs of the railway, and I suggest you are supporting  
24 that in your brief?

25 MR. GATHERCOLE: Yes.

26 Q. I was wondering whether or not the Pro-  
27 vince of Ontario had thought through this idea and had  
28 come up with any recommendation as to the minimum  
29 contribution, or that there should be some minimum  
30







1 contribution to the fully distributed costs to the  
2 railway?

3 MR. GATHERCOLE: No, we have not, Mr. Mauro.  
4 We believe that the present measures which have been  
5 adopted to provide some form of subsidization for the  
6 movement of freight should be examined, and our  
7 advocacy is that the whole matter should be re-examined  
8 so that there is equity and fairness to all and at the  
9 same time that the railways for efficient operations  
10 are going to secure the capital and the revenue that  
11 they need to make the type of contribution to our  
12 economy which they should do.

13 Q. Let us assume for a moment that the grain  
14 rates do not make a fair contribution to fully distri-  
15 buted costs and the authorities conclude that the  
16 movement of grain goes in the national interest. The  
17 principle you would apply is that subsidization would  
18 take place?

19 MR. GATHERCOLE: That is what we are suggesting.  
20 We have, however, in the next paragraph, to which you  
21 have made reference, said that any departure from the  
22 rule of the railway obtaining revenue from rates that  
23 are compensatory in relation to cost, any departure  
24 from that rule should be limited, should be known and  
25 should be capable of being measured.

26 Q. So far as those low rates are in the public  
27 interest or in the national interest, they would be  
28 subsidized. What if it were ascertained that there  
29 were low or unduly depressed rates that were voluntarily  
30





1 introduced by the railways to meet competition, to take  
2 business back from the trucks, but that were not in the  
3 national interest?

4 MR. GATHERCOLE: What we are suggesting is  
5 that the Royal Commission should look at this whole  
6 matter. It could make a reassessment of the whole  
7 matter. I do not say they will provide all the  
8 answers, but I think that what they ultimately prepare  
9 and publish will provide a fresh look at the problem  
10 and we can go on from there.

11 THE CHAIRMAN: You have a lot of confidence  
12 in us.

13 MR. GATHERCOLE: That is the way we feel.

14 MR. MAURO: Q. You would certainly agree,  
15 Mr. Gathercole, that in this field of non-essential car-  
16 riage of goods the railways should no more receive a  
17 subsidy than the truckers or the shippers by water or  
18 the shippers by air, that there is a distinction between  
19 the national public interest and the private managerial  
20 decisions of the railway?

21 MR. GATHERCOLE: Yes, but I would take it  
22 that no organization which is in business wants to per-  
23 form a service at a loss, and they are not voluntarily  
24 going to charge rates which are less than their cost.

25 Q. I speak of "voluntary" in the context  
26 that, even if it is imposed on them by competition and  
27 yet is a movement that might not be considered in the  
28 national interest, this would be a distinction from  
29 another traffic movement that was in fact considered to  
30





1 be in the national interest, so that we may maintain to  
2 the greatest degree possible the free enterprise system  
3 between competing forms of transportation?

4 MR. GATHERCOLE: What is in the national inter-  
5 est, Mr. Mauro? How do you determine that? I would  
6 say that what is in the national interest is for us to  
7 have a strongly competitive modern railway system, and  
8 I would think it should go out and get what business it  
9 can in competition with the trucking industry.  
10

11 Q. What if in getting that business it has to  
12 give rates that do not return it a proper contribution  
13 to fully distributed costs?

14 MR. GATHERCOLE: I would say it must pare its  
15 costs. It must do its best to pare its costs.

16 Q. On the same page, it is stated:

17 "The Province is impressed by the number  
18 of complaints which it has received about the  
19 burden of horizontal percentage increases in  
20 freight rates. Under most circumstances  
21 transportation costs are likely to be a larger  
22 part of their total laid-down cost where  
23 markets are distant than where they are close."

24 You go on, on page 26:

25 "Ontario people will not wish to sit  
26 idly by while the disparity between the rates  
27 on the staple exports of the prairie west and  
28 of northwestern Ontario grow wider and wider.  
29 It appears to us that some of the rates in  
30 northern and indeed southwestern Ontario  
are being maintained at levels higher than







1 those available to other shippers for comparable  
2 distances, though they are contrary to the  
3 railways' own best long-run interests: there  
4 is a reluctance to sacrifice the immediate  
5 revenue, even though it would strengthen the  
6 railways' long-term position."

7 I might say, Mr. Gathercole, that the Province  
8 of Manitoba wholeheartedly agrees with the assessment of  
9 this problem made by the Province of Ontario. My  
10 learned friend questions you on this subject, and I just  
11 wondered, so as to place it in context with what the  
12 Commission has been hearing about horizontal percentage  
13 increases from one end of the country to the other,  
14 whether you had looked at the reasoning of the Turgeon  
15 Commission in their report in 1951. As you know, they  
16 too found an inherent evil in these horizontal per-  
17 centage increases.

18 I will quote from that report and ask you  
19 whether the Province of Ontario agrees with this assess-  
20 ment. At page 51 of the report the complaints about  
21 the horizontal increase method were summarized as follows:

22 "That the application of rate increases  
23 by the horizontal increase method:

- 24 "1. Disturbs existing 'relationships';  
25 "2. Accentuates existing disparities;  
26 "3. Aggravates the disadvantage  
27 already suffered by long-haul shippers;  
28 "4. Destroys existing 'differentials';  
29 "5. Assumes that all traffic can bear the  
30





1 same percentage increase when this is not the  
2 case; and

3 "6. Worsens the competitive position of  
4 manufacturers subject to long haul, especially  
5 when they have to bring materials in for fabri-  
6 cation."

7 The recommendations of the Turgeon Commission  
8 on this problem are found on pages 61 and 62 of the  
9 Report:

10 "1. Application for uniform horizontal  
11 increases to all freight tolls assume that all  
12 freight can, under all conditions, bear an equal  
13 burden of increase. This is an incorrect as-  
14 sumption.

15 "2. Horizontal increases, although pre-  
16 serving rate relationships percentagewise  
17 disturb them in cents per 100 pounds (or  
18 other unit) in so far as shippers and con-  
19 signees are concerned, and this is of much  
20 importance to them.

21 "3. Horizontal increases aggravate the  
22 disadvantage already suffered by long-haul  
23 shippers and consignees."

24 I wonder whether the Province of Ontario agrees  
25 with the conclusions reached by the Turgeon Commission?

26 MR. GATHERCOLE: We have great sympathy with  
27 them, but I think it is a little lacking in careful sur-  
28 vey of the assumptions which are unspoken, that if you  
29 have the prices of commodities increasing, as they have  
30







done since 1945, then should they increase uniformly -- and I accentuate that "uniformly"? I can find very little difficulty with the percentage increases. Your real trouble occurs when some prices do not increase, or do not increase by so much as the percentage increase. That is when the real disturbance occurs. I would point out that Canada today is at the end of a very long and very powerful boom. We have not seen anything like that since the period of 1908 and 1913, and there is a disturbance in price relationship which is very important.

Q. I would like to have also your comments, Professor McDougall, on the statement by the Acting Prime Minister on November 26th. The quotation is as follows:

"It is, however, recognized by the government that there are serious inequities in the present freight rate structure which have both contributed to, and been aggravated by, the system of horizontal rate increases. The government has already indicated its intention to move towards a solution of these problems.

"A study is being undertaken at once to work out measures of relief against inequities in the freight rate structure including any that may be aggravated by the present increases. Steps are also being taken to set up a suitable body to review the general field of railway problems and policies. This study will





1 include not only a comprehensive consideration  
2 of the railway freight rate problem -- including  
3 the situation of the long-haul provinces in the  
4 west and in the Atlantic region -- but also  
5 other specific problems which require solution  
6 if Canada's railways are to serve the national  
7 interest without prejudicing particular indus-  
8 tries or areas."

9  
10 Do you, Professor McDougall, think that the  
11 long-haul provinces, the Atlantic provinces and the  
12 Western provinces, have suffered from horizontal  
13 percentage increases?

14 MR. McDOUGALL: If the movement of prices has  
15 been advanced, that is, the prices of commodities, then  
16 very likely, yes. I do not think it possible to make  
17 a general blanket statement that will cover all com-  
18 modities in all areas.

19 Q. Perhaps you can advise the Commission  
20 and myself -- because I am not now clear, after reading  
21 your brief and hearing what you had to say -- does the  
22 Province of Ontario recommend a change in the present  
23 level of horizontal percentage increases or the mainten-  
24 ance of the present system of horizontal percentage  
25 increases?

26 MR. GATHERCOLE: Perhaps I may make one ob-  
27 servation on this, if I may, Mr. Chairman.

28 You ask whether there are inequities to the  
29 maritimes and to the west on long-haul shipments. I  
30 think it depends first on what is the justification for





1 the rate upon which the percentage calculations were  
2 made. In other words, was it a fair rate or not a  
3 fair rate? If it was a rate that was uneconomic, if  
4 it was too low, you have a percentage increase that may  
5 be unjustified. On the other hand, by and large, the  
6 flat percentage increases tend to amplify the increase  
7 and involve perhaps a higher cost being imposed upon the  
8 movement of those goods in relation to the shorter haul,  
9 but I think you have to take into account the existing  
10 rate structure.

11 That is why we come back to this one point,  
12 that you need an assessment of the whole structure. You  
13 cannot start from the existing rate structure and say  
14 that is satisfactory and equitable in all its particulars.

15 Q. I agree with all this about whether the  
16 initial rate is good or bad or a justified rate, but we  
17 are discussing and the Turgeon Commission was discussing  
18 the method of applying rate increases. The argument  
19 that has been advanced by the province is that the  
20 horizontal method of percentage increases brings about  
21 a disparity, brings about a greater differential between  
22 existing rate structures and definitely creates a burden  
23 on the long-haul shipper. The thing that my learned  
24 friend yesterday in adopting your submission on the part  
25 of the public of Alberta mentioned was that the situation  
26 became so fantastic that when the last 17 per cent  
27 increase was taken to the Governor in Council it was  
28 shown that in this final application 73 per cent of the  
29 increase would be obtained from 32 per cent of the  
30







1 revenue. I think it would be helpful to this Commission  
2 and certainly helpful to me and of interest to the various  
3 parts of Ontario itself to know whether or not the Pro-  
4 vince of Ontario is approving of the present method of  
5 applying horizontal percentage increases, rate increases  
6 by the horizontal percentage method, or is it definitely  
7 opposed to it and recommending a complete reappraisal of  
8 rate making?

9 MR. GATHERCOLE: Our position is as it is set  
10 out in the submission. We believe that anomalies may  
11 arise by providing horizontal rate increases.  
12  
13  
14 -  
15  
16  
17  
18 -  
19  
20  
21 -  
22  
23  
24  
25 -  
26  
27  
28 -  
29  
30





1 COMMISSIONER MANN: Mr. Gathercole, I am a  
2 little confused about one of the things brought out here.  
3 Do I understand from your statement that if a rate for  
4 a short-haul shipper into a market is fair by all the  
5 criteria of fairness that we may establish and if the  
6 rate into the same market for a long-haul shipper is  
7 fair by the same criteria, there is nothing wrong in  
8 imposing a horizontal per cent rate increase?

9  
10 MR. GATHERCOLE: It would depend entirely on  
11 whether the cost to the railway were being increased for  
12 the movement of those goods proportionate to that in-  
13 crease, and if it wasn't, then the increase on the long  
14 haul wouldn't be justified.

15 MR. MAURO: Q. So that I would assume that  
16 the Province of Ontario would support any scheme which  
17 tended to redistribute equitably these cost factors  
18 between the short-haul and long-haul shippers, the dif-  
19 ference between terminal costs and line haul costs?

20 MR. GATHERCOLE: What we thought are rates  
21 which are ---

22 Q. Fair and equitable and properly reflect  
23 costs?

24 MR. GATHERCOLE: Yes.

25 Q. Professor McDougall, I wondered whether the  
26 Province of Ontario will be making any submission on the  
27 matter of lake and rail rates. I thought that perhaps  
28 with the interest of such places as Windsor and north-  
29 western Ontario, particularly Port Arthur and Fort William,  
30 whether the Province of Ontario would be taking any posi-  
tion on this matter of lake and rail rates?







1 MR. McDOUGALL: I certainly couldn't say. To  
2 my knowledge it hasn't been considered.

3 Q. Do you think that it is an important  
4 matter to be considered by this Commission?

5 MR. McDKUGALL: I just haven't given it  
6 thought, sir, I am sorry.

7 MR. MAURO: I want to congratulate you,  
8 Professor McDougall, and through you Mr. Gathercole and  
9 those responsible for a very interesting and excellent  
10 submission. Thank you.

11 Mr. McDOUGALL: In Mr. Gathercole's name, I  
12 thank you.

13 THE CHAIRMAN: Mr. Frawley?

14 MR. FRAWLEY: No, I have no questions.

15 THE CHAIRMAN: Thank you very much, Professor  
16 McDougall.

17 We will see if the Commission has any questions.

18 COMMISSIONER MANN: Professor McDougall, I  
19 wonder if you would be good enough to help me in my  
20 understanding of your excellent submission by answering  
21 a few questions I have.

22 MR. McDOUGALL: Mr. Gathercole's submission,  
23 sir. I am merely one of the boys helping in the back  
24 room.

25 COMMISSIONER MANN: At page 3 of the submission  
26 reference is made, roughly in the middle of the page,  
27 to the need that the railways have, according to the  
28 Province of Ontario, for getting more modern and  
29 efficient equipment in line with 1960 so that they  
30





1 compete with aggressiveness and efficiency with other  
2 services.

3  
4 When the submission talks about the railways  
5 does it talk about the railways as instruments working  
6 on flanged wheels or as instruments  
7 of transportation by other than flanged wheels?

8 MR. McDUGALL: I was thinking of them pri-  
9 marily as running on steel rail.

10 COMMISSIONER MANN: Has the Province of  
11 Ontario any views with regard to the possibility of the  
12 changing nature of the railway business from a flanged  
13 wheel steel rail business to a department store style of  
14 transportation?

15 MR. McDUGALL: We haven't considered that,  
16 sir. My own estimation of the situation is that  
17 large organizations are probably not as good in handling  
18 retail transportation as are small. They are under  
19 substantial difficulty, and certainly when they can  
20 handle heavy trains, heavy carloading, they can do  
21 extremely well.

22 COMMISSIONER MANN: You think, then, sir, that  
23 the railways should confine their activities strictly to  
24 the mass movements on main line and should not enter  
25 at all by any other means of transportation, say,  
26 acquisition of truck lines, etc., the feeder service?

27 MR. McDUGALL: No, I am willing to give them  
28 general licence. I think it is there that they will  
29 find the pressure on their own costs will tend to move.  
30 This is not a statement of what I wish or don't wish;





1 it is an attempt to assess the physical situation.

2 COMMISSIONER MANN: May I refer to page 5,  
3 Mr. McDougall? In the third sentence you talk about  
4 the differences in the economic structure of the various  
5 Ontario regions, and the submission states that these  
6 differences in the economic structure may require an  
7 assessment of their respective transportation needs and  
8 costs in keeping with their special requirements. Now,  
9 would it be proper to assume from that that would be a  
10 policy that the Province of Ontario advocates for all  
11 Canada, that you must meet transportation needs in  
12 relation to the special requirements of the several  
13 economic regions of the country? I am only enlarging  
14 your statement to make it national.

15 MR. McDOUGALL: You see, my difficulty -- I  
16 would hesitate to speak without the confidence of the  
17 Cabinet. Could that question be reserved?

18 COMMISSIONER MANN: Certainly. Perhaps that  
19 holds true of the next question also.

20 On page 6, the third paragraph, the submission  
21 states that the railways should contribute to the growth  
22 of the other segments of the national economy, and then  
23 it goes on and takes the reciprocal of that. Does that  
24 mean that the railways are to be regarded as an instru-  
25 ment of national policy rather than business enterprises  
26 aiming at profits?

27 MR. McDOUGALL: No, I don't think it does. I  
28 think that rather it is -- and I am again trying to state  
29 what is, in fact, happening rather than anything like  
30







1 policy -- that they are being pushed, whether we or the  
2 rest of us like it or not, towards being commercial  
3 organizations. You see, sir, you are up against the  
4 whole pressure of law built up on this obligation to  
5 serve which, in the Middle Ages, ran quite as badly  
6 against the innkeeper or the baker as it ran against the  
7 carrier. Now, in the 19th century that obligation to  
8 serve was enforced against the carrier; it was allowed  
9 to lapse as against the big ones. Now, what the 20th  
10 century is doing is to bring competition into the front  
11 yard of the carriers, and therefore I do think in the  
12 end what we will be forced to do is to relax this obli-  
13 gation to serve.

14  
15 COMMISSIONER MANN: Then, Mr. McDougall, this  
16 sentence which you have on page 6 does not imply any  
17 public instrument of national policy criterion but  
18 merely means that the railways, if placed on a proper  
19 economic footing, would ipso facto contribute to the  
20 growth.

21 MR. McDOUGALL: Yes. That is what I think  
22 is meant also by that sentence towards the end about the  
23 pervasiveness of the price system.

24 THE CHAIRMAN: We will adjourn until two  
25 o'clock.

26  
27 ---Adjournment.  
28  
29  
30





1 ---On resuming at 2.00 p.m.

2  
3 BY COMMISSIONER MANN (cont'd)

4 Q. Mr. McDougall, I apologize for having  
5 kept you away from Kingston any longer than necessary  
6 to say a couple of other things that perhaps you would  
7 be good enough to develop for us, so that it helps our  
8 understanding of the matter.

9  
10 On page 9, in the last full paragraph, in  
11 talking about the railway freight traffic loaded at  
12 stations in Ontario, the source is the DBS Freight  
13 Traffic Summary, which was later called, I think, the  
14 Railway Freight Traffic Part V?

15 MR. McDOUGALL: Railway Freight Traffic Part  
16 V gives you the companies. It is "Railway Freight  
17 Traffic."

18 Q. Yes, that is the one I had in mind. I  
19 have a slight recollection that the earlier series  
20 included duplications of traffic intra-Canada, and that  
21 is traffic that was loaded on one line and then perhaps  
22 exchanged with another line was again entered for the  
23 other line. This duplication, I understood, was cut  
24 out in the later series; am I correct in that?

25 MR. McDOUGALL: I can't answer that with com-  
26 plete firmness, but I don't think it is so. I thought  
27 they had managed to keep it clean right from about 1923  
28 on. What did happen was that there is a discontinuity  
29 at the shift in the fifties -- 1952, 1953 or 1956.

30 Q. I thought that was one of the changes made?







1 MR. McDUGALL: The one that I do know is  
2 that where previously inbound water freight used to be  
3 shown as received from foreign connections, and it is  
4 now shown as freight originated in Canada.

5 Q. Well, it is on the record now and we can  
6 check it. If you will turn to page 16, in the first  
7 paragraph you talk about the inception of competition,  
8 and you point out that the length of haul became greater  
9 as motor trucks improved in their efficiency and as  
10 highways were brought up to higher physical standards.  
11 Is there perhaps another reason that caused increasing  
12 length of haul and that reason perhaps might be described  
13 as the fact that rising railway costs provided a higher  
14 ceiling for trucks and, therefore, also lengthened the  
15 haul?

16 MR. McDUGALL: My impression was that while  
17 railway efficiency was improving, that of the motor  
18 carriers was improving even faster. So, I am inclined  
19 to put more weight on that than I would upon an absolute  
20 increase in the real cost of railway carriage.

21 Q. In the last sentence on that page you make  
22 this statement:

23 "If the railways are to be rebuilt and  
24 revitalized until they can contribute to the full  
25 to the continued growth and development of the  
26 whole country it must be in cooperation with these  
27 rising forces."

28 That is, the rising forces of competition, I suppose --  
29 other carriers, and so on. Would you be good enough to  
30





1 elaborate what you have in mind -- closer integration  
2 of rail and truck and air and water?

3 MR. McDUGALL: I think it is rather this,  
4 that the railways were, after say 1925 rather well  
5 adjusted to the kind of economy that was then in being,  
6 and that there has been a shift in relative advantage, and  
7 it is going to produce a new economy as it works itself  
8 out, and it is also going to produce a new railway rate  
9 structure and perhaps pattern of physical operations  
10 as well.

11 Q. This closer cooperation, would you, for  
12 instance, say that for hire piggy-back on the railways  
13 is in the nature of what you have in mind?

14 MR. McDUGALL: I think so. I understand it  
15 is possible to achieve a significant reduction in ter-  
16 minal costs and also get a higher speed of delivery.  
17 In short, I think I have a general prejudice in favour  
18 of railways which are able to make money.

19 Q. Do you think that there should be coopera-  
20 tion between independently owned truck lines and the  
21 railways, or should the railways, themselves, attempt  
22 to have an integrated transportation system including  
23 trucking and air and that sort of thing? Should the  
24 emphasis be on integration rather than cooperation?

25 Mr. McDUGALL: I would put it on cooperation  
26 on the ground that if you have duplication you are  
27 also going to have extra cost, and the fundamental  
28 interest is in allowing relative prices, relative costs,  
29 to determine how the thing is done. I am not wanting  
30





1 to plan from above and say, "It should be done thus".  
2 I will let prices work from below.

3 Q. You don't think there is any merit in the  
4 railways by economy of scale running an integrated trans-  
5 port rather than cooperating with independent carriers  
6 by truck that have varying cost characteristics?

7 MR. McDOUGALL: I could quite see that the  
8 two could coexist and I am willing to let them fight it  
9 out.

10 Q. You want to rely on the technique of the  
11 market place?

12 MR. McDOUGALL: As far as humanly possible, yes.

13 Q. Would that technique be upset if the  
14 railways, by virtue of acquiring truck lines en masse,  
15 were accused of returning to a quasi-monopolistic posi-  
16 tion?

17 MR. McDOUGALL: I would not think so.

18 Q. You don't think there is any danger in  
19 that?

20 MR. McDOUGALL: Not a danger big enough to  
21 disturb anybody, because the costs of the trucks are so  
22 much more heavily variable costs, and, secondly, the  
23 right of entry into trucking is so easy. It is an  
24 institutional effort. If the railways were to buy  
25 up all the truck lines, what would they do next year?  
26 I think it would become one of the sure ways to make a  
27 profit; you start a truck line and then sell it, and they  
28 would see so early it was a mug's game that they would  
29 not enter it at all.  
30







1 Q. May I refer you to table 4 on page 18:  
2 in that table you have taken the first column from  
3 a calculation you have made out of Railway Freight  
4 Traffic?

5 MR. McDOUGALL: Yes.

6 Q. Are you familiar with the special Waybill  
7 Analysis published by the Board -- not the Waybill  
8 Analysis that is printed, but a special one that has  
9 a restricted number of copies for distribution?

10 MR. McDOUGALL: I am sorry, I am not.

11 Q. I am only referring to it here because the  
12 Province of British Columbia used it for the first time  
13 in evidence presented to this Commission. I was  
14 going to suggest to you that you might be able to get  
15 your percentages of total freight traffic of each class  
16 loaded in Ontario out of that special Waybill Analysis,  
17 and if you did that I wondered if your final figures  
18 would show any significant variation, because then you  
19 would compare like with like, because you would compare  
20 the one per cent sample with a one per cent sample, and  
21 I wondered whether you would be good enough to obtain  
22 a copy and let us have your calculations?

23 MR. McDOUGALL: I will, yes.

24 MR. MAURO: The provincial waybill analysis  
25 was used in the Winnipeg submission, Mr. Chairman.

26 MR. SINCLAIR: I am glad to see that Manitoba--

27 MR. FRAWLEY: Well, Mr. Chairman, everybody  
28 is getting into the act, and I was most largely respon-  
29 sible for having it prepared in the first place.  
30





1 MR. SINCLAIR: Mr. Chairman and Mr. Mann, the  
2 difficulty with it is that it only gives you one-half of  
3 the equation.

4 MR. HUME: I had nothing to do with it what-  
5 soever.

6 MR. FRAWLEY: The other half of the equation  
7 is probably down on Windsor Street.

8 MR. SINCLAIR: The other half of the equation  
9 is in the multitude of shipments that move.

10 COMMISSIONER MANN: Q. On page 22, Professor  
11 McDougall, you have some general remarks, as I think also  
12 appear on other pages with regard to cross subsidization:  
13 is it the opinion of the Province of Ontario that cross  
14 subsidization is a bad thing not only with regard to  
15 railway rates, but with regard to rates by all other  
16 carriers -- air, truck . . . ?

17 MR. McDOUGALL: If there is any statement to  
18 be made for the Province of Ontario, I must ask to do  
19 it in writing. I haven't the power.

20 Q. Well, could I ask you personally, as an  
21 economist, whether you hold that cross subsidization  
22 for other forms of transportation is as bad as it is  
23 shown here for railways?

24 MR. McDOUGALL: I think I interpret that as a  
25 statement of fact. Is it possible to cross subsidize  
26 any other carriers to the extent that it was at one time  
27 on the railways? I think the answer is No, it was not.

28 Q. Yes, that comes out at the bottom of page  
29 23. As you know, the trucking industry goes in for  
30







1 rather extreme forms of differential pricing, just as  
2 the railways do; they have a rather great similarity  
3 there?

4 MR. McDOUGALL: Yes.

5 Q. So, I suppose you would hold if it were  
6 not possible on the same scale for the railways it would  
7 not be possible in the future for the trucks?

8 MR. McDOUGALL: I would think not, no, unless  
9 the trucking industry should be led to do so, in which  
10 case the railways will come under that umbrella. That  
11 is a question of fact that I cannot speak of.

12 Q. On page 27, in your reference to (d),  
13 "Other Income", the discussion you and Mr. Gathercole had  
14 with Mr. Sinclair this morning and yesterday was mainly  
15 in relation to Consolidated Mining and Smelting. If  
16 you put the proposition in another way and you said  
17 that the changing nature of the railway business -- the  
18 department store concept of railways that we seem to be  
19 getting into -- should, perhaps, the transportation  
20 enterprises, the transportation non-rail enterprises  
21 of the railways be included for the calculation of the  
22 requirements formula? That would be, say, Smith  
23 Transport in the case of Canadian Pacific and C.P.  
24 Airlines and C.P. Steamships, taking the good with the  
25 bad; if there were losses, then losses will stay, and  
26 if there are profits, then the profits will be garnered?

27 MR. McDOUGALL: I would be disturbed about  
28 taking in C.P. Steamships. I think it is a totally  
29 separate business.  
30





1 Q. Because of its foreign connections?

2 MR. McDOUGALL: It is on the ocean, and if  
3 you have ever looked at the indexing of rates, and I must  
4 say I have only examined the general cargo rates, and  
5 not the others, the range at which they move would  
6 scare me right out of that. I would not want to have  
7 any part of that.

8 Q. Because of the wide fluctuation of rates  
9 in the steamship market?

10 MR. McDOUGALL: Yes.

11 -

12 -

13 -

14 -

15 -





1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

Q. What about inland transportation subsidiaries that are directly competitive with the rail enterprises.

MR. McDUGALL: I would think, in that case you might very well recognize that you have a transportation company rather than a railway company. I think that is consistent with this idea of relying upon prices rather than regulations.

Q. You think that should be included for the calculation of the requirements formula?

MR. McDUGALL: It would not disturb me to the extent of including the ocean steamships, and so on.

Q. What would be the effect of the present technique, bearing in mind the C.P.R., what would be the effect of a line, say, like the Northland, which does not have the competitive enterprises on whose profits they can draw and whose losses they can bear, to put the other end of the equation in?

MR. McDUGALL: It would certainly not help.

Q. It would be a hindrance?

MR. McDUGALL: Even when I say that, I am assuming that net, and upon the average, there would be profit rather than loss. If the other people have not got also motor carriers which turn in a profit, then to that extent a rate level set by C.P.R.'s earnings, including these outside or non-rail earnings, would to that extent prejudice those other companies.

Q. I have one more question, and perhaps this has reference to something on which Mr. Gathercole







1 gave an answer to Mr. Mauro. This refers to the cost  
2 of service theory. Mr. Gathercole said the effect of  
3 it might be or should be that some of the higher rates  
4 would be lower and some of the lower rates would be  
5 increased if you approximate a cost of service theory  
6 of rate making. If you do that, might there be a possi-  
7 bility of the drying up of some of the lower rated  
8 traffic?  
9

10 MR. McDOUGALL: I think that is the point at  
11 which you have to decide which way you get hurt most, and  
12 then avoid that.

13 Q. So a pure cost of service theory is not  
14 feasible?

15 MR. McDOUGALL: I do not think so.

16 Q. You must always have some elements of  
17 differential pricing in the rate structure?

18 MR. McDOUGALL: Except in so far as you are  
19 able to tailor your physical facilities to the kind of  
20 traffic you are handling. If that is not possible,  
21 then the other is necessary.

22 COMMISSIONER MANN: Thank you very much. That  
23 has been very helpful.

24 THE CHAIRMAN: Thank you very much, Professor  
25 McDougall and Mr. Turville.

26 MR. TURVILLE: We will communicate with the  
27 Commission in answer to the two or three questions that  
28 I think will appear in the transcript, and Mr. Sinclair  
29 was wanting some clarification and we will do our best  
30 to give that to him. Thank you, Mr. Chairman.





MR. McDOUGALL: Thank you for your kindness,  
sir.

THE CHAIRMAN: Mr. Ferris?

SUBMISSION OF  
THE SOUTHWESTERN ONTARIO ASSOCIATED  
CHAMBERS OF COMMERCE

---

Appearances:

|                        |   |
|------------------------|---|
| Mr. Joseph N. Ferris   | Solicitor, City of Windsor  |
| Mr. Murray A. Elder    | Secretary Freight Traffic<br>Committee, Southwestern<br>Ontario Associated<br>Chambers of Commerce and<br>Boards of Trade |
| Mr. Edgar K. Turner    | Traffic Manager, Chrysler<br>Corporation of Canada<br>Limited   |
| Mr. Clifford A. Wilson | General Traffic Manager,<br>Canada and Dominion Sugar<br>Company  |
| Mr. H. Ringrose        | General Traffic Manager,<br>Hiram Walker & Sons Ltd   |
| Mr. George Gaines      | Traffic Manager, Canadian<br>Bridge Company Limited   |

---

MR. FERRIS: My name is Joseph Ferris. I am  
a lawyer and I am at present employed by the City of  
Windsor as the City Solicitor. Mr. Chairman, I must  
say that it is my distinct honour and privilege to appear  
before you today as counsel for the Southwestern Ontario  
Associated Chambers of Commerce for the presentation of  
their brief.

The Associated Chambers of Commerce comprise  
some thirty Chambers in Southwestern Ontario, and these







1 are listed on the third page of the brief.

2 Perhaps the seriousness of our transportation  
3 problems is best reflected in the number of representa-  
4 tives we have today and who were here yesterday but could  
5 not remain until today. We have representatives from  
6 London, Sarnia, Chatham, St. Thomas and other places.

7 THE CHAIRMAN: If we could not call on them  
8 yesterday, we hope they were entertained and educated in  
9 any event.

10 MR. FERRIS: I must say also that no one person  
11 is responsible for our brief; this is the fruit of a  
12 freight traffic committee comprising some fifteen members  
13 drawn from the thirty Chambers of Commerce I mentioned.  
14 However, I would say that six people are immediately  
15 responsible or directly involved today in the presenta-  
16 tion of this brief. Mr. Elder, whom I will introduce  
17 a little later, is to be the witness. Assisting Mr.  
18 Elder at the table is Mr. Edgar K. Turner; Mr. Turner  
19 is a member of the Windsor Chamber of Commerce. He  
20 is the Traffic Manager of the Chrysler Corporation of  
21 Canada Limited. With Mr. Turner and Mr. Elder at the  
22 same table is Mr. Clifford A. Wilson, who is a member  
23 of the Chatham Chamber of Commerce and who is the  
24 General Traffic Manager of Canada and Dominion Sugar  
25 Company Limited. With me, to my immediate left is  
26 Mr. H. Ringrose, who is a member of the Windsor Chamber  
27 of Commerce and is the General Traffic Manager of  
28 Hiram Walker & Sons Limited in Walkerville. Next to  
29 him is Mr. George Gaines, who is a member of the Windsor  
30





1 Chamber of Commerce also and is the Traffic Manager of  
2 the Canadian Bridge Company Limited in Windsor.

3 Perhaps the importance of our part of the  
4 country is best exemplified in a comparison of Southwestern  
5 Ontario to the great Province of Manitoba. It has  
6 707,000 people, and they have 878,000 people in their  
7 vast reaches.

8 MR. FRAWLEY: We have a distillery, at any rate.

9 MR. FERRIS: The Freight Traffic Committee has  
10 worked long and hard on the preparation of this brief.  
11 The intent and purpose of this brief is to place before  
12 this Commission as clearly as possible the transportation  
13 problems facing Southwestern Ontario and, more important  
14 perhaps, to submit for your consideration certain pro-  
15 posals which we feel, if adopted, would provide trans-  
16 portation economies for the proper and natural industrial  
17 development of Southwestern Ontario.

18 In many respects Southwestern Ontario's trans-  
19 portation problems are acute. If we are to develop  
20 successfully economically so as to take our proper place  
21 with the other regions of Canada, some relief must be  
22 granted to us.

23 My witness here today is Mr. Murray A. Elder  
24 of Windsor, who is the industrial commissioner for the  
25 six counties in the Windsor area. Mr. Elder has been  
26 quite active on two freight traffic committees, firstly,  
27 the freight traffic committee of the Windsor Chamber  
28 of Commerce, and, secondly, the freight traffic com-  
29 mittee of the Southwestern Ontario Associated Chambers  
30





1 of Commerce. Mr. Elder.

2  
3 MURRAY A. ELDER, called

4  
5 THE WITNESS: Mr. Chairman and members of  
6 the Commission, I appear on behalf of The Southwestern  
7 Ontario Associated Chambers of Commerce, the members of  
8 which are the following:

9 Amherstburg Chamber of Commerce  
10 Belle River Chamber of Commerce  
11 Blenheim Chamber of Commerce  
12 Chatham Chamber of Commerce  
13 Comber Chamber of Commerce  
14 Courtright & District Chamber of Commerce  
15 Dresden & District Chamber of Commerce  
16 Dutton and Dunwich Chamber of Commerce  
17 Forest Chamber of Commerce  
18 Grand Bend and Area Chamber of Commerce  
19 Harrow & Colchester South Chamber of Commerce  
20 Kingsville & Gosfield South Chamber of Commerce  
21 LaSalle Chamber of Commerce  
22 Leamington Chamber of Commerce  
23 London Chamber of Commerce  
24 Petrolia & District Chamber of Commerce  
25 Port Burwell Chamber of Commerce  
26 Port Stanley Chamber of Commerce  
27 Ridgetown Chamber of Commerce  
28 Riverside Chamber of Commerce  
29 Rodney and District Chamber of Commerce  
30







1 St. Thomas Board of Trade  
2 Sarnia Chamber of Commerce  
3 Thedford & District Chamber of Commerce  
4 Tilbury Chamber of Commerce  
5 Wallaceburg Chamber of Commerce  
6 West Lorne Chamber of Commerce  
7 Windsor Chamber of Commerce  
8 Sombra Chamber of Commerce  
9 Thamesville Chamber of Commerce  
10

11 These Chambers of Commerce and many of their municipal  
12 councils have assisted and fully support this brief.

13 A - Our Location and Economy:

14 Southwestern Ontario is that area of Canada  
15 comprising the most southerly and westerly five  
16 counties of the Province of Ontario. In each of these  
17 counties is at least one major manufacturing community  
18 (London, St. Thomas, Chatham, Sarnia and Windsor).  
19 The country between these communities is largely agri-  
20 cultural and the area has a cash farm income annually of  
21 over \$159 million. These agricultural products in  
22 turn have induced most major canning companies in Canada  
23 to establish operations in Southwestern Ontario. Agri-  
24 culture is also the reason for distilling, brewing and  
25 cereal products manufacturing followed by can, bottle  
26 and carton manufacturing. This, in turn, has brought  
27 about a good rate of population growth in the counties  
28 (15.6 per cent to 41.2 per cent in the last decade)  
29 and the latest figures show over 707,000 people.

30 This section of Canada is also known for the





1 mass production of automobiles and components, petro  
2 chemicals, diesel locomotives and numerous other pro-  
3 ducts. Our established larger factories ship annually  
4 \$1,208,118,000 of goods, they purchase materials costing  
5 \$886,105,000, they employ 74,755 persons, and have  
6 annual payrolls of \$291,214,000.

7  
8 It is to protect the livelihood and steadily  
9 deteriorating competitive position of our farmers,  
10 factory workers, and our industries that we present this  
11 brief and our suggestions for the correction of present  
12 inequities in freight rates.

13 B - Our Problems:

14 Eastbound and westbound rate making prin-  
15 ciples involving central Canada are quite different.  
16 Westbound rates from most origins are equal, while  
17 eastbound rates reflect mileage operated. This  
18 condition results in an unfavourable freight picture  
19 for Southwestern Ontario communities and detracts from  
20 what would otherwise be a favourable location for  
21 industry.

22 The freight rate picture involving South-  
23 western Ontario has been steadily working more of a  
24 hardship with each horizontal percentage railway  
25 freight rate increase approved by the Board of Transport  
26 Commissioners (hereinafter referred to as The Board).

27 Horizontal percentage increases change rate  
28 relations in cents per hundred pounds and this generally  
29 disturbs business. There is a shrinkage of markets  
30 to industry, for long hauls are subjected to the largest







1 increase, while short hauls gain by the advantage of a  
2 lower increase.

3 It is our opinion freight rates are much higher  
4 than would be necessary if statutory Crow's Nest Pass  
5 grain rates had been subjected to some of the increases.  
6 We are not against this form of subsidization for grain  
7 movements, but we do feel that statutory rates place  
8 considerable additional burden on industry. This  
9 condition makes it most difficult for Southwestern  
10 Ontario, where industrial development is extremely slow  
11 because of the existing westbound freight rate pattern,  
12 and the alarmingly high level of eastern rates.

13 For many locations in Canada there is a rate  
14 advantage in geographical location to offset a rate dis-  
15 advantage. Our area offers no rate advantage for  
16 location. In eastbound shipping, our freight costs  
17 are generally the highest in Eastern Canada -- this we  
18 expect and acknowledge in view of our geographical lo-  
19 cation. However, in place of a comparable advantage  
20 for westbound shipments by way of offsetting our eastern  
21 freight penalty, a large portion of Ontario is blanketed  
22 with equal rates under A and B railway groupings.  
23 Exhibit No. 1 attached shows existing eastbound and  
24 westbound rates from Southwestern Ontario origins.

25 Despite direct short line mileage operation of  
26 water carriers from ports of call in this area to the  
27 lakehead, we do not enjoy a logical freight rate ad-  
28 vantage for water shipments westbound. For eastbound  
29 water shipments, we are subjected to a substantial freight  
30





1 penalty as experienced also for rail movements.

2 C - Our Proposals:

3 In view of all of the foregoing, and by way of  
4 providing Southwestern Ontario with a competitive status  
5 which will lend itself to the retention of existing  
6 industry as well as promote needed new industry, we make  
7 the following recommendations and ask that serious con-  
8 sideration be given to their adoption.

9 First Proposal: Percentage rate increases be  
10 modified with a system to preserve as  
11 much as possible distant markets for in-  
12 dustry. Exhibits Nos. 2 and 2A attached  
13 show the result of the present percentage  
14 railway increase principle and the dis-  
15 turbing effect on rate relations, as  
16 well as the burden long haul shippers  
17 must pay as opposed to short haul shippers.

18 While the percentage freight rate increase  
19 method has ~~been~~ dealt with quite extensively in  
20 Canada by the Board and in the United States by the  
21 Interstate Commerce Commission, we believe a more  
22 concerted effort should be made in Canada to establish  
23 a more equitable basis in the increase method so that,  
24 in effect, all industry will pay a more uniform amount  
25 of increase. While this recommendation may appear to  
26 support the long haul shipper to the disadvantage of  
27 the short haul shipper and his geographical location,  
28 the short haul shipper is continually gaining a greater  
29 rate advantage with each horizontal percentage freight rate  
30







1 increase as presently applied.

2           The long haul shipper starts off with a  
3 tremendous disadvantage due to his geographical  
4 location and his position worsens with each percentage  
5 increase to the point where he can no longer compete  
6 in distant markets. It follows therefore that we are  
7 rapidly reaching the point of restricting the radius of  
8 trade for industry to a very limited short haul market  
9 and this is not in the best interests of the overall  
10 national economy.

11           Industry must then consider decentralization,  
12 that is, the building of additional plants throughout  
13 the country at tremendous cost. It is extremely  
14 doubtful that the market concentration throughout Canada  
15 will justify this action and we believe investigation  
16 will reveal this to be so.

17           Therefore, there is, and will be through the  
18 horizontal percentage increase principle, a continual  
19 loss of trade and hence a loss of volume to the railways  
20 to the detriment of everyone. There is also the pos-  
21 sibility that the losses to industry will then be  
22 enjoyed by foreign industry who can obtain cheap  
23 water transportation to ports within easy reach of these  
24 markets.

25           We have noted that the Interstate Commerce  
26 Commission in the United States have, in some cases,  
27 approved lower increases for certain territories to  
28 preserve trade, for example, Ex Parte 168 (272 I.C.C.  
29 695) December, 1948, 6% in Eastern and Southern  
30







1 territories, 5% in Western territories and 4% in  
2 others. Also Ex Parte 168 (276 I.C.C. 9) May, 1949,  
3 10% 9% and 8% in different territories.

4 The Interstate Commerce Commission, in Ex  
5 Parte 162 freight rate increase, had this to say in  
6 connection with certain contentious issues which we  
7 believe is very timely:

8 "The outlook of the Commission and its  
9 powers must be greater than the interest of the  
10 railways or of that which may affect those  
11 interests. It must be as comprehensive as  
12 the interest of the whole country. In view  
13 of the dominant role which the railways have  
14 played in the development of the country, these  
15 rate structures have been the product primarily  
16 of the many forces which have played on rail  
17 transportation. They have not been perfect  
18 but they have had a common purpose to accom-  
19 modate the needs of commerce which possess an  
20 ever-present tendency to grow in volume and  
21 in the variety of commodities which compose  
22 it and to expand the radius of its distribution.  
23 Shippers have constantly manifested a desire  
24 to reach out farther and farther into distant  
25 markets. In no other country has there been  
26 such a degree of freedom of movement of com-  
27 modities over great distances.

28 "Rail rates, still the backbone of all  
29 transportation rates, are geared into the  
30





1 economic life of every section of the country.  
2 Many producers, traders and consumers are wholly  
3 or mainly dependent on rail transportation. Rate  
4 adjustments in these circumstances must be worked  
5 out primarily in terms of rail transportation.  
6 Rail rate structures are a matter of delicate bal-  
7 ance. It is impossible, as a matter of law or  
8 of economic policy, completely to disregard the  
9 way in which these rate structures have been develop-  
10 ed and the purposes they serve. The problems  
11 cannot be approached with the interests of only  
12 one class of the community in view.

13 "As in all general rate increase proceedings,  
14 there has been acute disagreement between long haul  
15 shippers and those who are close to their markets.  
16 There are many competitive situations where no  
17 recognized differential relation of rates has been  
18 established but where nevertheless rates have been  
19 made to reflect competitive conditions and such  
20 situations greatly outnumber those in which fixed  
21 relations have been established. The application  
22 of a percentage increase to both long and short  
23 haul competing shipments results in widening the  
24 amount of the difference between the rates, often  
25 to such an extent as to exclude the long haul  
26 shipper from the common market or compel him  
27 to reduce his prices so that he has no profit.  
28  
29  
30







1 "Carriers transporting for long haul shippers are  
2 also concerned with the maintenance of fixed  
3 differentials or differences, or at least in  
4 preventing increasing them to such an extent  
5 as to stifle competition and movement.

6 "Contrariwise, shippers located so that their  
7 traffic moves shorter distances, pay or absorb  
8 a lower basic rate, and are subjected to a  
9 lesser amount of increase if the same percentage  
10 is applied to their rates as to the rates charged  
11 the competing long haul shippers. This advan-  
12 tage they consider as justly due to their geo-  
13 graphical situation and as properly to be insis-  
14 ted upon by them.

15 "In resolving this conflict, both the car-  
16 riers and the regulatory commission must have  
17 regard to the effect of the manner of increase  
18 upon the movement of traffic.

19 "In this proceeding, it is shown that the  
20 petitioners, in formulating their proposals,  
21 decided upon a combination of percentage in-  
22 creases adjusted to regional needs with certain  
23 maximum limits to preserve traffic and lessen the  
24 unfavourable effect upon existing commercial re-  
25 lations and in some cases, stated flat amounts  
26 of increases. The system of making increases  
27 devised was generally similar to that employed  
28 by us in certain previous general rate proceed-  
29 ings.  
30





1 "There are also other situations where the allow-  
2 ance of any increases of substantial size must  
3 disturb pre-existing relations beyond the  
4 possibility of remedial correction so as to main-  
5 tain the former competitive status.

6 "We have the assurance of the petitioners  
7 of their intention to proceed by voluntary dis-  
8 cussion and cooperation with the shippers and  
9 representatives of markets to devise and  
10 endeavour to put into effect such measures as  
11 will restore former competitive relations as  
12 completely as possible. We expect full and  
13 prompt compliance with these representations."  
14

15 We ask that serious consideration be given  
16 to the principle of a lower rate of increase for long  
17 haul traffic for future Canadian railway freight rate  
18 increases. This principle has been approved by the  
19 Interstate Commerce Commission and is not discrimina-  
20 tory to the short haul shipper for the long haul shipper  
21 invariably pays a much greater amount in cents per  
22 hundred pounds.

23 Second Proposal: Provision be made for establishing  
24 westbound rail freight rates from this  
25 area based on the advantage of short line  
26 mileage through U.S.A. to Western Canada  
27 destinations. See Exhibits Nos. 3 and  
28 3A attached.

29 Or alternatively  
30 Eastbound rail rates to be established on





present westbound large block principle.

See Exhibit No. 4 attached.

The principle of permitting actual mileage from Ontario origins, when lower than Toronto mileage, was permitted when the equalized scale of class rates became effective on March 1, 1955. This resulted in lower freight rates from many origins previously subject to equal rates with most other Ontario origins under A and B railway grouping. It is the approval of short line mileage to Western Canada we are seeking and this principle is already established. Alternatively, we request consideration for the large block equal rate basis eastbound.

Under today's high freight costs, we have noted a continuing trend by industry to locate where freight costs are more favourable. Because of the eastbound freight rate penalty from our region, without comparable westbound freight rate advantage, we are finding that industries are locating farther east in major centres where freight costs are more favourable in shipping to their eastern markets over shorter mileage. At the same time, their western shipments move at the same, or lower freight rates as explained in paragraph 19, than ours, and move more expeditiously, as opposed movements from this region involving a lengthy back haul to Toronto.

Freight rate relief for our region is vitally necessary if the region is to develop in relation to other areas of Canada. Our westbound rail







1 rates and related water rates will not now permit the  
2 full scale development of this region. This one-time  
3 attraction is drastically offset by the high level of  
4 freight rates eastbound, resulting from the many railway  
5 horizontal percentage freight rate increases.

6 We request the adoption of short line mileage  
7 operation by rail through the United States from South-  
8 western Ontario origins via either the ports of Windsor/  
9 Detroit or Sarnia/Port Huron. We would naturally expect  
10 this principle to carry rail routing restrictions limit-  
11 ing U.S. operation to Canadian railroad subsidiaries for  
12 all, or as much of the haul as possible.

13 Alternatively, our second proposal is a request  
14 for incorporation of the large block principle (similar  
15 to westbound A and B group) for eastbound rail freight  
16 rates, removing the large freight penalty preventing  
17 natural industrial development in this region.

18 It is difficult to determine why mileage rates  
19 were established for both rail and water rates eastbound  
20 as opposed to the apparent need for the westbound water  
21 competitive rate making principle (A and B groups).  
22 We subscribe to the theory that eastbound rates do reflect  
23 proper and long established rate making principles,  
24 wherein there is a natural progression in the rate scale,  
25 taking into account mileage and the cost of operating  
26 greater distance. It is this rate making principle  
27 we prefer and believe is proper and fair and should be  
28 the basis of an all freight rate scale.  
29  
30





1 Third Proposal: Water rates westbound to be estab-  
2 lished to better reflect cost of operating  
3 distance involved. See Exhibit No. 3.

4 Or

5 eastbound water rates to be established on  
6 present westbound equalized principle.  
7 See Exhibit No. 4 attached.

8 It seems quite logical to predict the  
9 economical advantages of the seaway for this region to  
10 be decidedly hindered if water rates continue to be  
11 related closely to rail rates. For the success of any  
12 venture large or small an incentive must be provided for  
13 its use. Full scale water economy is necessary then for  
14 the success of the seaway, permitting amortization  
15 of the large investment in this venture by our federal  
16 government, and providing the economies of transportation  
17 promised by its inception.

18 While water rates from Windsor to the lake-  
19 head are very slightly below those from Toronto and  
20 Montreal, they do not, in our opinion, reflect the cost  
21 of operating distance. In Exhibit No. 1 attached you  
22 will note Toronto and Montreal rates are equal, with a  
23 slight advantage to Windsor. Water mileage from  
24 Montreal to Windsor is 608, which should result in a  
25 much lower basis from Windsor to the lakehead. By  
26 the same token, Toronto should enjoy an advantage to the  
27 lakehead over Montreal to reflect the cost of operating  
28 the 337 miles between these two ports. Eastbound rates  
29 do reflect the cost of operating greater distance,  
30







1 which principle as stated previously we subscribe to.

2 Because of the westbound water rates existing  
3 today, it is logical to believe that this form of  
4 "equalization" is not providing true water economy for  
5 this region on our shipments. Also Toronto is not  
6 enjoying true water economy over Montreal. We request  
7 that water rates be established westbound to better  
8 reflect the cost of operating distance from ports in this  
9 area to the lakehead, providing this region with a west-  
10 bound water rate advantage greater than the small ad-  
11 vantage presently existing.

12 If the existing westbound principle can be  
13 justified by the water carriers, we see no reason why  
14 the same basis should not be established eastbound,  
15 especially now that water competition from the seaway  
16 will be equal to that existing westbound. This would  
17 provide this region with greater economy eastbound than  
18 presently, for rates or mileage in this large group  
19 Windsor to Montreal would be averaged.

20 Summary of Proposals:

21 (1) that percentage rate increases be modified  
22 with a system to preserve as much as  
23 possible distant markets for industry;

24 (ii) that provision be made for establishing  
25 westbound rail freight rates from South-  
26 western Ontario based on the provision of  
27 short line mileage through the United States  
28 to Western Canada destinations  
29

30 or alternatively





1 that eastbound rail freight rates be estab-  
2 lished on present westbound large block  
3 principle;

4 (iii) that water rates westbound be established  
5 to better reflect the cost of operating dis-  
6 tance involved

7 or alternatively

8 that eastbound water rates be established on  
9 the present westbound equalized principle.

10 Conclusion:

11 There is evidence on behalf of both the Board  
12 and the carriers that either of our proposals for east-  
13 bound and westbound rate making are feasible. For  
14 example:

15 In the Board's Judgment of December 12th,  
16 1952, in dealing with the question of  
17 specific or group rates, the following  
18 statement appears on page 9:

19 "One of the matters in the series of  
20 freight rates cases which have been adjudi-  
21 cated by the Board in recent years has been  
22 the existence in the East-West freight  
23 tariffs of the large triangular group ex-  
24 tending from Sault Ste. Marie, Sudbury,  
25 Capreol and Windsor, Ontario, on the west, to  
26 Montreal and Quebec City on the East, com-  
27 pared with the grouping of stations in  
28 Western Canada, which are based primarily  
29 upon the local rates from Fort William and  
30





1                   Armstrong and West thereof, and which  
2                   consist of numerous 5- and 10-mile blocks  
3                   up to 500 miles and generally 25-mile  
4                   blocks beyond that distance. We consider  
5                   that the type of grouping in Eastern Canada  
6                   referred to above in this paragraph should  
7                   be replaced by groupings that will enable  
8                   shipping points to have the benefit of  
9                   their geographical location in relation to  
10                  distance and that will be more in conformity  
11                  with the national freight rates policy and  
12                  the principles of equalization. We also  
13                  think that the same principles should, of  
14                  course, apply to Western Canada where any  
15                  large group now exists."

16                         Also the C.P.R. in their submission re  
17                         Equalization of Class Rates presented to the Board at  
18                         Ottawa on October 5, 1953, had this to say regarding  
19                         large groups similar to A and B westbound groups  
20                         presently existing:

21                                 "On this question the position of  
22                                 Canadian Pacific is that if any area in Canada  
23                                 can establish to the satisfaction of the  
24                                 Board that a territorial group is necessary  
25                                 or desirable in the interests of the  
26                                 general shipping public, no objection to  
27                                 the establishment of such a group would be  
28                                 justified so long as a reasonable average  
29                                 mileage was used in the calculation of rates  
30







1 to and from the group. On the other hand the  
2 mere existence of groups A and B in Eastern  
3 Canada would not appear of itself to be a  
4 justification for the establishment of groups  
5 elsewhere; in the first place, groups A and B  
6 are used only in the calculation of rates to and  
7 from Western Canada and not locally within  
8 Eastern Canada, whereas the proposed new groups  
9 are apparently intended for application to  
10 local rates within the west; secondly, the  
11 force that compelled the establishment and  
12 has required the maintenance of groups A  
13 and B is the existence of the St. Lawrence River  
14 and the Great Lakes. No such compelling  
15 reason exists for the creation of groups else-  
16 where."

17  
18 We suggest there is a very compelling need  
19 today, in view of the level of freight rates detrimental  
20 to industry in this territory and the attraction of new  
21 industry, for either the principle of large mileage  
22 blocks for eastbound rate making or alternatively, the  
23 option of shorter mileage through the United States for  
24 westbound movements giving this region lower rates in  
25 that direction. Only by approval of one of these  
26 principles will this area enjoy natural industrial  
27 development at a rate comparable to that which has, and  
28 is taking place throughout Canada, as well as assure  
29 the retention of existing industry all so necessary  
30 to preserve or improve our economy.





EXHIBIT NO. 1A

SHOWING EXISTING RAIL AND WATER FREIGHT RATES  
PRESENTLY IN EFFECT, REVEALING EASTBOUND PENALTY WITHOUT  
WESTBOUND ADVANTAGE FOR SOUTHWESTERN ONTARIO

CLASS RATES EASTBOUND TO HALIFAX, N.S.

| From           | Via   | Classes | 100 | 85  | 70  | 55  | 45  | 40  |
|----------------|-------|---------|-----|-----|-----|-----|-----|-----|
| Toronto        | Rail  |         | 338 | 287 | 237 | 185 | 152 | 135 |
|                | Water |         | 329 | 279 | 230 | 180 | 147 | 132 |
| Hamilton       | Rail  |         | 349 | 296 | 244 | 191 | 157 | 140 |
|                | Water |         | 340 | 288 | 237 | 185 | 152 | 137 |
| Welland        | Rail  |         | 371 | 315 | 260 | 204 | 167 | 149 |
|                | Water |         | 351 | 298 | 245 | 192 | 157 | 141 |
| St. Catharines | Rail  |         | 360 | 306 | 252 | 198 | 162 | 144 |
|                | Water |         | 351 | 298 | 245 | 192 | 157 | 141 |
| Chatham )      | Rail  |         | 415 | 352 | 290 | 228 | 187 | 166 |
| Courtright )   | Water |         | 406 | 344 | 283 | 222 | 182 | 163 |
| Sarnia )       |       |         |     |     |     |     |     |     |
| Dresden )      | Rail  |         | 426 | 362 | 298 | 234 | 191 | 171 |
| Ridgetown )    | Water |         | 406 | 344 | 283 | 222 | 182 | 163 |
| Wallaceburg )  |       |         |     |     |     |     |     |     |
| Leamington )   | Rail  |         | 437 | 371 | 306 | 240 | 197 | 175 |
| Riverside )    | Water |         | 406 | 344 | 283 | 222 | 182 | 163 |
| Windsor )      |       |         |     |     |     |     |     |     |
| Harrow         | Rail  |         | 448 | 381 | 314 | 246 | 201 | 179 |
|                | Water |         | 406 | 344 | 253 | 222 | 182 | 163 |

CLASS RATES WESTBOUND

See Exhibit No. 1







EXHIBIT NO. 1B

SHOWING EXISTING RAIL AND WATER FREIGHT RATES PRESENT-  
LY IN EFFECT, REVEALING EASTBOUND PENALTY WITHOUT WESTBOUND  
ADVANTAGE FOR SOUTHWESTERN ONTARIO

CLASS RATES EASTBOUND TO SYDNEY, N.S.

| From           | Via   | Classes | 100 | 85  | 70  | 55  | 45  | 40  |
|----------------|-------|---------|-----|-----|-----|-----|-----|-----|
| Toronto        | Rail  |         | 349 | 296 | 244 | 191 | 157 | 140 |
|                | Water |         | 340 | 288 | 237 | 185 | 152 | 137 |
| Hamilton       | Rail  |         | 360 | 306 | 252 | 198 | 162 | 144 |
|                | Water |         | 351 | 298 | 245 | 192 | 158 | 141 |
| St. Catharines | Rail  |         | 371 | 315 | 260 | 204 | 167 | 149 |
|                | Water |         | 362 | 307 | 253 | 198 | 162 | 146 |
| Chatham )      | Rail  |         | 426 | 362 | 298 | 234 | 191 | 171 |
| Courtright )   | Water |         | 417 | 354 | 291 | 228 | 186 | 168 |
| Sarnia )       |       |         |     |     |     |     |     |     |
| Dresden )      | Rail  |         | 437 | 371 | 306 | 240 | 197 | 175 |
| Ridgetown )    | Water |         | 417 | 354 | 291 | 228 | 186 | 168 |
| Wallaceburg )  |       |         |     |     |     |     |     |     |
| Leamington )   | Rail  |         | 448 | 381 | 314 | 246 | 201 | 179 |
| Riverside )    | Water |         | 417 | 354 | 291 | 228 | 186 | 168 |
| Windsor )      |       |         |     |     |     |     |     |     |
| Harrow         | Rail  |         | 459 | 389 | 321 | 252 | 207 | 184 |
|                | Water |         | 417 | 354 | 291 | 228 | 186 | 168 |

CLASS RATES WESTBOUND

See Exhibit No. 1





EXHIBIT SHOWING EQUALIZED RAIL RATES FROM CHATHAM  
APPROVED BY BOARD AND EFFECTIVE MARCH 1, 1955  
AS OPPOSED EXISTING RATES  
AND HOW THE DIFFERENTIAL BETWEEN CLASSES HAS CHANGED  
THROUGH HORIZONTAL PERCENTAGE INCREASES

| * Chatham to:         | 100   | 85       | 70       | 55       | 45       | 40       | 33       | 30       | 27  |
|-----------------------|---|----------|----------|----------|----------|----------|----------|----------|-----|
| <u>Toronto</u>        | 179.0 Canadian miles actual, used 200 miles on Equalized Scale  |          |          |          |          |          |          |          |     |
| Equalized             | 150 (22)  | 128 (23) | 105 (22) | 83 (15)  | 68 (8)   | 60 (10)  | 50 (5)   | 45 (4)   | 41  |
| Present               | 184 (28)  | 156 (27) | 129 (28) | 101 (18) | 83 (9)   | 74 (13)  | 61 (6)   | 55 (5)   | 50  |
| <u>Montreal</u>       | 518.9 Canadian miles actual, used 525 miles on Equalized Scale.   |          |          |          |          |          |          |          |     |
| Equalized             | 267 (40)  | 227 (40) | 187 (40) | 147 (27) | 120 (13) | 107 (19) | 88 (8)   | 80 (8)   | 72  |
| Present               | 326 (49)  | 277 (49) | 228 (49) | 179 (33) | 146 (16) | 130 (12) | 108 (10) | 98 (10)  | 88  |
| <u>St. John, N.B.</u> | Class 100 Equalized Rate Chatham to Montreal 267 Plus Arbitrary Montreal to St. John 64 resulted in Class 100 Equalized Rate Chatham to St. John 331. |          |          |          |          |          |          |          |     |
| Equalized             | 331 (50)  | 281 (49) | 232 (50) | 182 (32) | 150 (18) | 132 (23) | 109 (10) | 99 (10)  | 89  |
| Present               | 404 (61)  | 343 (60) | 283 (61) | 222 (40) | 182 (20) | 162 (29) | 133 (12) | 121 (12) | 109 |
| <u>Halifax, N.S.</u>  | Class 100 Equalized Rate Chatham to Montreal 267 Plus Arbitrary Montreal to Halifax 73 resulted in Class 100 Equalized Rate Chatham to Halifax 340.   |          |          |          |          |          |          |          |     |
| Equalized             | 340 (51)  | 289 (51) | 238 (51) | 187 (34) | 153 (17) | 136 (24) | 112 (10) | 102 (10) | 92  |
| Present               | 415 (63)  | 352 (62) | 290 (62) | 228 (41) | 187 (21) | 166 (30) | 136 (12) | 124 (12) | 112 |

\* We have used Chatham as a representative point in Southwestern Ontario. The problem shown here, in connection with horizontal percentage increases, reflects in the same condition from all other origins in Southwestern Ontario.

The Bracketed figure is the difference between classes. Note how each has increased since Freight Rate Equalization on March 1, 1955, especially where long haul mileage is concerned.





EXHIBIT NO. 2A

RECORD OF HORIZONTAL RAIL INCREASES

UNITED STATES

The rate which was \$1.00 on June 30, 1946 in the United States has been increased to \$2.12 by means of the various horizontal increases listed below. By the same token a \$5.00 rate is now \$10.61 revealing the greater burden to a long haul shipper in the uniform percentage increase method.

| Date of report<br>or order | Effective date of<br>freight rate increases | I.C.C. docket<br>number        | Cumulative<br>increase |
|----------------------------|---|--------------------------------|------------------------|
| June 20, 1946              | July 1, 1946                                | Ex P. No. 148                  | 6.5                    |
| December 5, 1946           | January 1, 1947                             | Ex P. No. 162<br>Ex P. No. 148 | 17.6                   |
| October 6, 1947            | October 13, 1947                            | Ex P. No. 162                  |                        |
| December 29, 1947          | January 5, 1948                             | Ex P. No. 166                  | 28.1                   |
| April 13, 1948             | May 6, 1948                                 | Ex P. No. 166                  | 37.8                   |
| July 27, 1948              | August 21, 1948                             | Ex P. No. 166                  | 42.8                   |
| December 29, 1948          | January 11, 1949                            | Ex P. No. 166                  | 44.2                   |
| August 2, 1949             | September 1, 1949                           | Ex P. No. 168                  | 51.7                   |
| March 12, 1951             | April 4, 1951                               | Ex P. No. 168                  | 57.3                   |
| August 2, 1951             | August 28, 1951                             | Ex P. No. 175                  | 61.1                   |
| April 11, 1952             | May 2, 1952                                 | Ex P. No. 175                  | 67.6                   |
| March 2, 1956              | March 7, 1956                               | Ex P. No. 175                  | 78.9                   |
| December 17, 1956          | December 28, 1956                           | Ex P. No. 196                  | 88.8                   |
| February 4, 1957           | February 23, 1957                           | Ex P. No. 206                  |                        |
| August 6, 1957             | August 26, 1957                             | Ex P. No. 206                  | 98.2                   |
| September 9, 1958          | September 15, 1958                          | Ex P. No. 206                  | 107.7                  |
|                            |   | Ex P. No. 212                  | 112.1                  |

CANADA

The rate which was \$1.00 on April 7, 1948 in Canada has been increased to \$2.42 by means of the various horizontal increases listed below. By the same token a \$5.00 rate is now \$12.10 revealing the greater burden to a long haul shipper in the uniform percentage increase method.

| Effective<br>Date | B.T.C.<br>order | Specific<br>Increase | Cumulative<br>Increase | C.F.A.<br>Tariff               | Remarks |
|-------------------|-----------------|----------------------|------------------------|--------------------------------|---------|
| April 8/48        | 70425           | 21%                  | 21%                    | 71                             |         |
| Oct. 11/49        | 73123           | 8%                   | 31%                    | 72                             |         |
| Mar. 23/50        | 74034           | 16%                  | 40%                    | 72-A in lieu of previous 8%    |         |
| June 16/50        | 74512           | 20%                  | 45%                    | 72-B in lieu of previous 16%   |         |
| July 26/51        | 76886           | 12%                  | 62%                    | 74                             |         |
| Feb. 11/52        | 78146           | 17%                  | 70%                    | 74-A in lieu of previous 12%   |         |
| Jan. 1/53         | 80462           | 9%                   | 85%                    | 74-B in addition to 74-A       |         |
| Mar. 16/53        | 80965           | 7%                   | 98%                    | 74-C in addition to 74-A, 74-B |         |
| July 3/56         | 89030           | 7%                   | 112%                   | 83 interim increase of 7%      |         |
| Jan. 1/57         | 90447           | 11%                  | 120%                   | 83-A in lieu of previous 7%    |         |
| Dec. 1/58         | 96300           | 17%                  | 157%                   | 84                             |         |
| Aug. 1/59         | 98424           | 10%                  | 142%                   | 84-A in lieu of previous 17%   |         |

Note - We believe the difference in cumulative increases between the two countries amounting to 30% is probably due to two factors:

- There are no Statutory Rates in the U.S.A.,
- Greater density throughout most of the U.S.A. hence a good flow of traffic in most territories.







EXHIBIT NO. 3

SHOWING RESULT OF PROPOSAL TO PROVIDE TRANSPORTATION ECONOMIES  
FOR THE PROPER AND NATURAL INDUSTRIAL DEVELOPMENT OF SOUTH-  
WESTERN ONTARIO.

WESTBOUND

RAIL RATES PROPOSAL

Under proposal to adopt short line mileage through the United States by \* Canadian  
Railway Subsidiaries to Western Canada destinations, rates from origins in South-  
western Ontario would reduce as follows:

TO WINNIPEG

| From        | Canadian<br>Mileage | **Existing<br>Rate | U.S.Short<br>Line Mileage | **Proposed<br>Rate |
|-------------|---------------------|--------------------|---------------------------|--------------------|
| Sarnia      | 1442                | 589                | 983                       | 535                |
| Windsor     | 1448                | "                  | 988                       | 535                |
| Harrow      | 1463                | "                  | 1009                      | 546                |
| Wallaceburg | 1423                | "                  | 1013                      | 546                |
| Leamington  | 1446                | "                  | 1026                      | 557                |
| Chatham     | 1400                | "                  | 1034                      | 557                |
| London      | 1336                | "                  | 1042                      | 557                |
| Dresden     | 1412                | "                  | 1046                      | 557                |
| Ridgetown   | 1420                | "                  | 1054                      | 568                |
| Forest      | 1417                | "                  | 1056                      | 568                |
| Courtright  | 1443                | "                  | 1077                      | 579                |
| St. Thomas  | 1343                | "                  | 1096                      | 579                |
| Hamilton    | 1266                | "                  | 1123                      | 590 (589) #        |
| Toronto     | 1231                | "                  | 1154                      | 612 (589) #        |
| Montreal    | 1414                | "                  | 1489                      | 755 (589) #        |

Explanation of Symbols

\* The following are authorized routings in C.F.A. Tariff No. 46-A from  
Windsor to Winnipeg.  
Route 625-CN-GT-Milwaukee-SooLine-Noyes, Minn. (Emerson, Man.) - CN  
Route 626-CN-GT-Chicago - SooLine-Duluth-DW&P - Fort Frances, Ont. - CN  
Route 627-CN-GT-Milwaukee-SooLine-Duluth-DW&P - Fort Frances, Ont. - CN

\*\* The Bridge subsidy consideration (C.F.A. 76-C) is applied on the existing  
rates but not on the proposed rates.

# Suggest A & B groups be retained when lower.

WATER RATES PROPOSAL

We propose a related water basis to our westbound rail proposal above, with  
the provision, however, that the new water rates properly reflect the true  
economies of water.





EXHIBIT NO. 3A

Example of how a rate is determined in Exhibit 3 on the mileage block basis

CHATHAM TO WINNIPEG

These were the blocks and rates per block approved by the Board of Transport Commissioners for Equalization of Class Rates effective March 1, 1955

| Distance in Miles | Mileage in Each Block | Number of Blocks | Rate Increase Per Block (cents per 100 lbs.) |
|-------------------|-----------------------|------------------|--|
| Minimum 20        | -                     | 1                | 50   |
| 20-60             | 5                     | 8                | 5  |
| 60-100            | 10                    | 4                | 5  |
| 100-200           | 25                    | 4                | 10   |
| 200-1500          | 25                    | 52               | 9  |
| 1500-2000         | 50                    | 10               | 18   |
| 2000-2600         | 50                    | 12               | 16   |
| 2600-3300         | 50                    | 14               | 14   |

Mileage block rates are determined by using this scale and then are increased by Increase Tariffs C.F.A. 83-A and C.F.A. 84-A.

Illustration:

Short line mileage Chatham to Winnipeg 1034 miles.  
Applying the scale:

| Miles                    | Cents per 100 lbs. |
|--------------------------|--------------------|
| 0-20                     | 50                 |
| 20-60 (5x8)              | 40                 |
| 60-100 (4x5)             | 20                 |
| 100-200 (4x10)           | 40                 |
| 200-988 (1000)(34x9)     | 306                |
|                          | 456                |
| Increased by C.F.A. 83-A | 506                |
| Increased by C.F.A. 84-A | 557                |







EXHIBIT NO. 4

SHOWING RESULT OF PROPOSALS TO PROVIDE TRANSPORTATION ECONOMIES FOR THE PROPER AND NATURAL INDUSTRIAL DEVELOPMENT OF SOUTHWESTERN ONTARIO

EASTBOUND

RAIL RATES

The present class rates from Windsor, Toronto and Montreal to Moncton, St. John and Halifax are listed below:

TO MONCTON AND ST. JOHN

| From      | Classes | 100 | 85  | 70  | 55  | 45  | 40  |
|-----------|---------|-----|-----|-----|-----|-----|-----|
| Windsor   |         | 426 | 362 | 298 | 234 | 191 | 171 |
| * Toronto |         | 327 | 277 | 229 | 179 | 147 | 131 |
| Montreal  |         | 244 | 208 | 171 | 134 | 109 | 97  |

TO HALIFAX

| From      | Classes | 100 | 85  | 70  | 55  | 45  | 40  |
|-----------|---------|-----|-----|-----|-----|-----|-----|
| Windsor   |         | 437 | 371 | 306 | 240 | 191 | 175 |
| * Toronto |         | 338 | 287 | 237 | 186 | 158 | 135 |
| Montreal  |         | 255 | 217 | 178 | 141 | 114 | 102 |

RAIL RATES PROPOSAL

\* The city of Toronto was designated as the <sup>base</sup>key point for the computation of all-rail class rates from groups A & B to Western Canada. Under Proposal to establish large group equalized rates eastbound in lieu of existing distance rates, we would recommend the westbound principle be the basis for eastbound rates

viz: all points in large group  
Windsor - Montreal to be  
assessed. Toronto rates.

WATER RATES

Presently eastbound water rates reflect the cost of operating distance viz: Windsor to Montreal is higher than Toronto to Montreal, etc.

WATER RATES PROPOSAL

Eastbound water rates should also be on a Toronto equalized basis, but naturally should reflect in a proper differential below the rail equalized rates, to reflect the true economy of water.





EXHIBIT NO. 5

SHOWING MANUFACTURING ECONOMY OF SOUTHWESTERN ONTARIO

|           | <u>Plants</u> | <u>Employees</u> | <u>Payrolls</u> | <u>Materials</u> | <u>SVFS</u>      |
|-----------|---------------|------------------|-----------------|------------------|------------------|
| Elgin     | 105           | 3,579            | \$ 11,412,000   | \$ 41,999,000    | \$ 62,232,000    |
| Middlesex | 410           | 19,893           | \$ 69,635,000   | \$ 165,206,000   | \$ 319,871,000   |
| Essex     | 490           | 35,037           | \$ 142,074,000  | \$ 345,942,000   | \$ 642,887,000   |
| Kent      | 201           | 7,003            | \$ 24,923,000   | \$ 94,436,000    | \$ 140,096,000   |
| Lambton   | 139           | 9,243            | \$ 43,170,000   | \$ 238,522,000   | \$ 43,032,000    |
| Total     | 1345          | 74,755           | \$ 291,214,000  | \$ 886,105,000   | \$ 1,208,118,000 |

Statistics 1957

SVFS - Selling Value of Factory Shipments

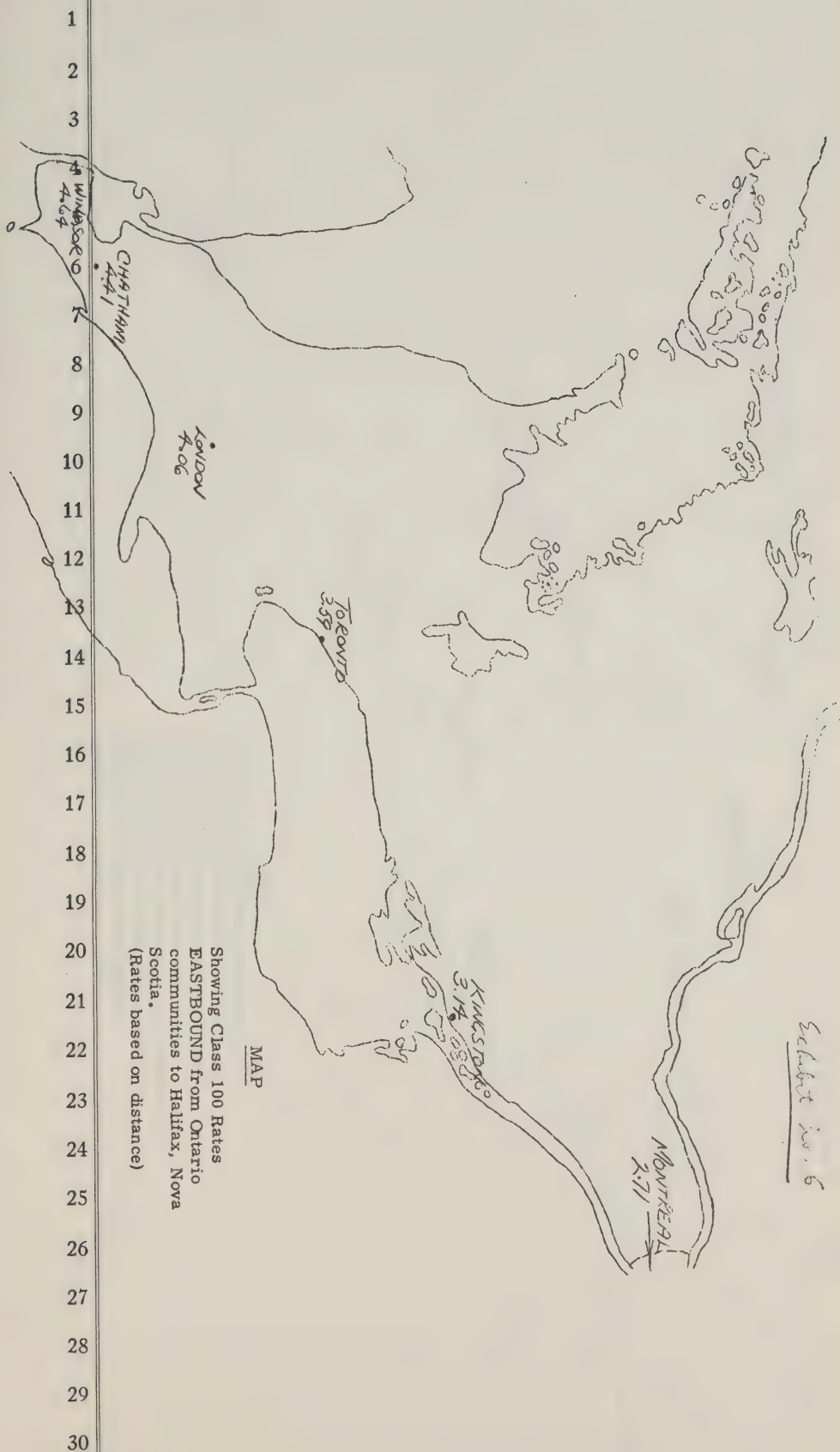




ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Elder, dir  
(Ferris)

7303





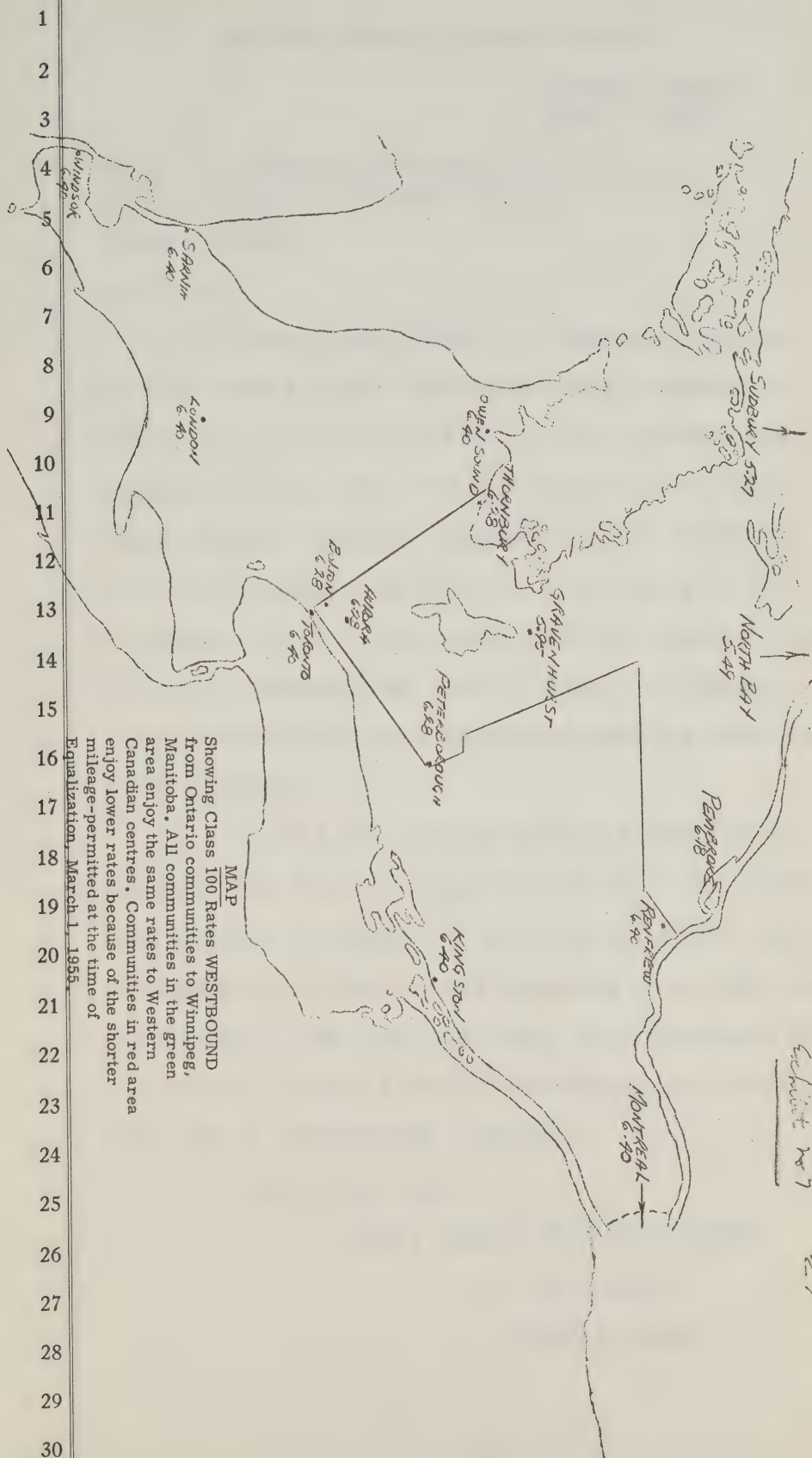




ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Elder, dir  
(Ferris)

7304



Showing Class 100 Rates WESTBOUND from Ontario communities to Winnipeg, Manitoba. All communities in the green area enjoy the same rates to Western Canadian centres. Communities in red area enjoy lower rates because of the shorter mileage-permitted at the time of Equalization, March 1, 1955.

MIA P

Exhibit No 7

12





KELLOGG COMPANY OF CANADA LIMITED

London, Ontario,  
March 2, 1960

Mr. F. W. Anderson, Secretary,  
Royal Commission on Transportation,  
P.O. Box 1173,  
Ottawa, Ontario.

Dear Sir:

Several local firms in London are planning to lend support to the submission being presented on behalf of Southwestern Ontario. This submission is already prepared, and it is our belief that the principles therein contained are just, and our action as individual companies in the City of London is to lend our support to it. The writer would be pleased to hear from you, concerning the form in which our "support" might be acceptable for presentation when the Commission meets in Ottawa.

We note that in some instances some fifteen copies of the brief are required, but since we realize that a number of Chambers of Commerce and Cities will be sending this brief, we are wondering if we could lend our support in the form of a letter to be presented at the hearing, or what form of presentation you can advise will be necessary or acceptable.

Yours very truly,

KELLOGG COMPANY OF CANADA LIMITED

"J. N. Roulston"

Traffic Manager







CITY OF WINDSOR

Office of The Clerk  
City Hall,  
Windsor, Ontario,  
March 1, 1960

Mr. F. W. Anderson,  
Secretary & Director of Research,  
Royal Commission on Transportation,  
P.O. Box 1173, Daly Building,  
Ottawa, Ontario.

Dear Sir:

The following resolution was adopted by  
Council at its meeting held on February 29, 1960:

"3. That the brief prepared by the Windsor  
Chamber of Commerce for submission to the  
Royal Commission on Transportation, repre-  
sending the views of 30 member organizations  
in the Southwestern Ontario Conference of  
Chambers of Commerce and Boards of Trade,  
proposing freight rate relief for Southwestern  
Ontario, be endorsed; and further, that the  
City Clerk be instructed to advise the Secretary,  
Royal Commission on Transportation accordingly.  
(110A-1)"

Yours very truly,

"J. B. Adamac"

City Clerk





CITY OF LONDON

Office of the City Clerk,  
City Hall,  
London, Ontario,  
January 27, 1960

F. W. Anderson, Esq.,  
Secretary & Director of Research,  
Royal Commission on Transportation,  
P.O. Box 1173, Daly Building,  
Ottawa, Ontario.

Dear Mr. Anderson:

I hereby certify that the Municipal Council  
at its session on January 18, 1960, passed the following  
motion, namely:

"That the brief prepared by the  
Conference of Southwestern Ontario Chambers  
of Commerce and Boards of Trade proposing  
freight rate relief for Southwestern Ontario,  
be endorsed and supported in accordance with  
the recommendation of the London Chamber of  
Commerce; and that copies of this resolution  
be forwarded to the Royal Commission on  
Transportation and to the Secretary of the  
Conference of Southwestern Ontario Chambers  
of Commerce and Boards of Trade."

Yours very truly,

"R. H. Cooper"

City Clerk.





CITY OF SARNIA

Office of City Clerk,  
Sarnia, Ontario,  
December 24, 1959

Mr. F. W. Anderson,  
Secretary & Director of Research,  
Royal Commission on Transportation,  
P.O. Box 1173, Daly Building,  
Ottawa, Ontario.

Dear Sir:

Sarnia City Council has studied the brief to submitted to the Royal Commission on Transportation proposing a freight rate relief for southwestern Ontario, as prepared by the freight traffic committee of the Conference of Southwestern Ontario Chambers of Commerce and Boards of Trade.

At the meeting of City Council held on December 21, 1959, the following resolution was unanimously adopted:

"That the Freight Rate Brief prepared by the Committee of the Southwestern Ontario Conference of Chambers of Commerce and Boards of Trade for presentation to the Royal Commission on Transportation be endorsed."

This matter is considered to be of utmost importance to the Southwestern Area of the Province including our own municipality. Your study and support to the submission is respectfully urged.

Yours very sincerely,

"G. A. M. Thomas"

City Clerk







CORPORATION OF THE TOWN OF DRESDEN

Municipal Offices,  
Dresden, Ontario,  
December 21st, 1959

Mr. F. W. Anderson,  
Secretary and Director of Research,  
Royal Commission on Transportation,  
P.O. Box 1173, Daly Building,  
Ottawa, Ontario.

Dear Sir:

With reference to Conference of Southwestern Ontario Chambers of Commerce and Boards of Trade resolution under date of November 9, 1959 stating in part re: That rapidly increasing railway transportation costs in Canada and their method of application by means of percentage increases across the board, have presented serious problems to Industry and commerce particularly in Southwestern Ontario, that these differentials have been principally responsible for the enormous industrial growth in central Ontario at the expense of Southwestern Ontario.

At a regular meeting of Municipal Council held December 15th, 1959 a motion was passed whereas the Municipal Council of the Town of Dresden endorses the resolution of the Conference of Southwestern Ontario Chambers of Commerce and Board of Trade.

Yours very truly,

"J. L. Babcock"

Clerk-Treasurer





GREATER WINDSOR INDUSTRIAL COMMISSION

Windsor, Ontario,  
December 10, 1959

Mr. F. W. Anderson, Secretary,  
Royal Commission on Transportation,  
Daly Building,  
P.O. Box 1173,  
Ottawa, Ontario

Dear Mr. Anderson:

Representatives of the City of Windsor will  
be acting as spokesmen during the presentation of the  
brief from the 30 Chambers of Commerce comprising the  
Southwestern Ontario Conference.

It would therefore be appreciated if you  
place our name on the records so that we receive any  
mailings of the Royal Commission both prior to this  
letter and in the future.

Yours truly,

"Murray A. Elder

Secretary

Windsor Freight Traffic Committee







CITY OF CHATHAM

Chatham, Ontario,  
November 25, 1959

Mr. F. W. Anderson,  
Secretary & Director of Research,  
Royal Commission on Transportation,  
P.O. Box 1173, Daly Building,  
Ottawa, Ontario.

Dear Mr. Anderson:

Please be advised that at the last regular meeting of the Chatham City Council held on November 23rd 1959, the enclosed copy of a submission to The Royal Commission on Transportation proposing freight rate relief for Southwestern Ontario, was fully considered.

As a result, the following motion was passed:

"That the Chatham City Council supports the brief that is to be presented to the Royal Commission on Transportation proposing freight rate relief for Southwestern Ontario by the Southwestern Ontario Chambers of Commerce and Boards of Trade and that a copy of the endorsation be forwarded to the Royal Commission."

Yours truly,

"T. M. S. Kingston"

City Manager-Engineer





TOWN OF WALLACEBURG

Wallaceburg, Ontario,  
November 18th, 1959

Mr. F. W. Anderson,  
Secretary & Director of Research,  
Royal Commission on Transportation,  
P.O. Box 1173 Daly Building,  
Ottawa, Ontario.

Dear Sir:

Our Council have unanimously approved the contents of the brief prepared by the Conference of Southwestern Ontario, Chamber of Commerce and Boards of Trade concerning railway transportation freight differentials in Southwestern Ontario. Our resolution is as follows:

"Our Council support all municipal governments in Southwestern Ontario in their submission to the Royal Commission on Transportation proposing freight rate relief for Southwestern Ontario."

Thank you.

Yours very truly,

"W. E. Jones."

Clerk-Treasurer





1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

MR. FERRIS: Mr. Chairman, I have some questions by way of examination in chief.

THE CHAIRMAN: Go ahead.

MR. FERRIS: Q. Mr. Elder, I direct your attention to paragraph 5. In this paragraph, Mr. Elder, you state that the "freight rate picture in Southwestern Ontario has been steadily working more of a hardship with each horizontal percentage rate increase."

Why would a horizontal rate increase of this kind be any more of a hardship to Southwestern Ontario than any other part of the country?

A. Because, generally speaking, due to our geographical location, we pay the highest rates to eastern markets, therefore with each percentage rate increase our disadvantage becomes more chronic.

Q. Mr. Elder, in view of your previous answer, do you find any fault with this principle of rate making?

A. No, providing this principle applies in both directions and to all movements.

Q. Mr. Elder, if you are content with the eastbound rate making principle, what are your feelings concerning westbound rates?

A. We would prefer to have mileage rates westbound.

Q. Suppose, then, the present westbound rate making principle was changed to a mileage basis, would this be an advantage for Southwestern Ontario?

A. Yes, providing we were permitted to use







1 short-line mileage through the United States. We  
2 would then have a freight rate advantage westbound to  
3 offset our freight rate disadvantage eastbound.  
4

5 Q. Do you know of any existing rail rates  
6 which permitted routing through the United States to  
7 Western Canada?

8 A. Yes, there are numerous commodity rates.

9 Q. I direct your attention to rates under  
10 the bridge subsidy. Are these rates affected by the  
11 bridge subsidy?

12 A. No, they are not.

13 Q. Mr. Elder, do rail class rates provide  
14 United States routing to Western Canada?

15 A. Yes, but the bridge subsidy does not apply.

16 Q. Would the non-application of the bridge  
17 subsidy change your opinion favouring your proposal for  
18 short-line mileage operation through the United States  
19 to Western Canada?

20 A. No, it wouldn't. I believe Exhibit 3  
21 shows that despite the bridge subsidy, U.S. mileage  
22 provides us with lower rates under the equalized class  
23 rates scale to Western Canada destinations.

24 Q. Does the existing rail class rate basis  
25 from Ontario to Western Canada apply in reverse? For  
26 example, the Chatham-Winnipeg rate would be the same in  
27 reverse?

28 A. Yes, that is correct.

29 Q. Do rail rates between maritime origins  
30 and western Canada points reflect mileage; that is, there





1 is no large equalized block in existence?

2 A. Yes, they do reflect distance. There is  
3 no large equalized block comparable to A and B grouping  
4 in the maritimes.  
5

6 Q. Can you tell me this, Mr. Elder? Do  
7 any western Canada shippers have a rail rate advantage in  
8 shipping westbound?

9 A. Yes. Winnipeg-Vancouver would have an  
10 advantage over Windsor-Vancouver due to their location.

11 Q. Would London, Ontario, be in the same  
12 position as Windsor in competing with the eastern markets?

13 A. Yes, London would be comparable in that.  
14 The rates would be based on mileage and they would be  
15 getting the benefit of their geographic location.

16 Q. Mr. Elder, would the adoption of rail and wa-  
17 ter rates selected in mileage operated, which you have  
18 referred to on several occasions in your brief, tend to  
19 remove your objection to the horizontal percentage in-  
20 crease system?

21 A. No, it would not. The horizontal per-  
22 centage increase system applied to this type of rate would  
23 not preserve distant markets. Rather, a reduced per-  
24 centage rate increase for the long haul would preserve  
25 these markets for a longer period of time for industry.

26 Q. I direct your attention to paragraph 15  
27 of your brief, Mr. Elder. This paragraph seems to me  
28 a suggestion in connection with the method of applying  
29 horizontal percentage increases. Would you care to  
30 comment on this?







1           A.    As we have said in that paragraph, we  
2 have noted that the Interstate Commerce Commission in  
3 the United States have, in some cases, approved lower  
4 increases for certain territories to preserve trade;  
5 for example, Ex Parte 168 (272 I.C.C. 695) December,  
6 1948, 6 per cent in eastern and southern territories,  
7 5 per cent in western territories and 4 per cent in  
8 others.   This would seem to be a reasonable solution  
9 to the problem of protecting distant markets.

10           Q.   Did this system actually preserve distant  
11 markets for industry?

12           A.   We have no specific information on this,  
13 but we do feel it would help considerably in preserving  
14 these distant markets for industry for a longer period  
15 of time.

16           Q.   Can you tell me this: is there some  
17 specific problem for Southwestern Ontario which results  
18 from the application of horizontal percentage increases?

19           A.   Southwestern Ontario's competitive posi-  
20 tion is steadily deteriorating due to the horizontal  
21 percentage increase system.   With each increase our  
22 position becomes worse, and there are no compensating  
23 benefits for western movements.

24           Q.   I direct your attention to paragraph 8.  
25 Is this what you are referring to in this paragraph 8  
26 when you state that your area offers no rail rate  
27 advantage for location?

28           A.   Yes, it is.   Our shipping costs to the  
29 east are generally the highest in central Canada.  
30





1 Shipping costs to the west, as I have mentioned, are  
2 in A and B groupings, and therefore we should participate  
3 in equal rates to the west. As you can readily see,  
4 there is little attraction to industry to locate in  
5 Southwestern Ontario, all other factors being equal.

6 Q. May I direct your attention to Exhibit 3  
7 and again Exhibit 4? Now, I note under existing  
8 eastbound and westbound freight rate patterns, as shown  
9 in both of these exhibits, A and B groupings have the  
10 lowest rates to the maritimes and rates equal with  
11 most other origins in the A and B groupings when shipping  
12 westbound. It would seem logical under such a desirable  
13 set-up for Montreal to attract most of the new industry  
14 locating in the A and B territory, which, as you know,  
15 covers Windsor through to Montreal?

16 A. I don't think there is any doubt about  
17 it, that Montreal and Toronto have attracted the lion's  
18 share of new industry.

19 Q. You mentioned that Toronto has attracted  
20 its fair share of new industry. If the Toronto area  
21 can accomplish this, despite Montreal's more attractive  
22 freight rate pattern, why can't Southwestern Ontario  
23 in the same way attract industry?

24 A. I don't think there is any doubt about it,  
25 that the greatest transportation cost advantage exists  
26 in the Montreal location, especially under the present  
27 rate-making principles, and especially if the industry  
28 concerned has a large maritime market. Toronto, how-  
29 ever, has a great many advantages in central and  
30







1 Southwestern Ontario due to industrialization and the  
2 market.

3 Q. Is it not possible, Mr. Elder, that when  
4 industries locate around Toronto they are actually lo-  
5 cating in the immediate area of their major market?  
6

7 A. Yes, that is quite possible. We feel  
8 that Southwestern Ontario will never fully develop unless  
9 we derive some benefit from our geographic location.  
10 The desire should be to develop all sections of the  
11 country equally in the interests of our national  
12 economy. We feel that probably mileage rates accom-  
13 plish this.

14 Q. Mr. Elder, can you tell me why, in the  
15 first place, the A and B railway groupings were estab-  
16 lished?

17 A. This principle was adopted to compete  
18 with water competition.

19 Q. Did not the water competition also prevail  
20 eastbound?

21 A. No, not to the same extent. The large  
22 freighters could not travel the complete system due to  
23 the rapids on the St. Lawrence river.

24 Q. We have a great new project in Canada,  
25 the St. Lawrence Seaway. Would this have any effect  
26 on the subject matter?

27 A. Now that the freighters will be able to  
28 travel the complete system, we believe there should be  
29 some effect.

30 Q. Do you also believe there will be a change







1 of any kind?

2 A. Because competition will be equal both  
3 east and west, we believe that the principle of rate  
4 making should apply equally.

5 Q. Following this, what principle of rate  
6 making do you have in mind?

7 A. We would prefer a system that would give  
8 us the benefit of our geographic location.

9 Q. Now, may I direct your attention to para-  
10 graph 18 and again to 22? I understand in both in-  
11 stances you are asking for short-line mileage operation  
12 through the United States to western Canada, and it  
13 states that routing should be restricted to Canadian  
14 railway subsidiaries. In actual practice, is this  
15 possible?

16 A. Yes, it is, and I believe we can sub-  
17 stantiate this by referring to Exhibit 3, to give us the  
18 routings.

19 Q. Has this practice ever been adopted, Mr.  
20 Elder?

21 A. At one time the transcontinental passenger  
22 trains travelled on the U.S. route. But interesting also  
23 is the fact that in the U.S. freight rate equalization  
24 proceedings conducted by the Interstate Commerce Commis-  
25 sion they permitted the application of short-line mileage  
26 operation of the Wabash Railway through Ontario.

27 Q. Any other advantage?

28 A. I believe the C.P.R. is allowed to operate  
29 through the State of Maine to the maritimes.  
30





1 Q. Would you be content if the adoption of  
2 U.S. short-line mileage and equalized Canadian scale  
3 rates for this mileage was granted to Southwestern  
4 Ontario, using the all-Canadian route?

5 A. This would be entirely acceptable.

6 Q. May I direct your attention to Exhibits  
7 3 and 4? Now, in both of these exhibits you are  
8 speaking of the true economy of water. In this regard,  
9 what do you have in mind?

10 A. We believe that water rates are too  
11 closely related to rail rates. We also believe that the  
12 water rates should reflect mileage operated and reflect  
13 in a greater differential below rail rates. Let me  
14 give you an example. Windsor to the lakehead, class  
15 100, is given a 10-cent per 100 pounds advantage over  
16 Toronto and Montreal, yet Toronto has a 77-cent advantage  
17 over Windsor to Montreal for the same class.

18 Q. Do your rail rate proposals deal with  
19 class rated traffic?

20 A. Yes.

21 Q. And do these rates move a larger per-  
22 centage of the total traffic?

23 A. No, they move a smaller percentage.

24 Q. Why are you asking for relief on the  
25 class rated traffic?

26 A. Because, generally speaking, commodity  
27 rates are related to the class rates.  
28  
29  
30







1 Q. Would you care to indicate which of the  
2 two proposals you are asking for involving eastbound  
3 and westbound rates you prefer -- that is, rates  
4 reflecting mileage or distance, as proposed?

5 A. We hope to gain something from the  
6 geographic location which, reflecting mileage, would  
7 seem to be the fairest method of accomplishing this.  
8 From our standpoint the large A and B grouping prin-  
9 ciple made effective eastbound would be acceptable.  
10 This would tend to remove the discrimination against  
11 Southwestern Ontario on western movement.

12 Q. I take it the adoption of either proposal  
13 would be entirely acceptable to you?

14 A. Yes, the adoption of either principle  
15 would eliminate the discrimination which presently  
16 exists. We would then have a transportation status  
17 equal to that of the rest of the country which would  
18 enable us to attract and retain industry; that is, give  
19 us a basis that recognizes our geographical location.  
20

21 CROSS-EXAMINATION BY MR. CUMMING:

22 Q. Mr. Elder, you speak in paragraphs 5 and  
23 6 of your brief of the question of horizontal percentage  
24 increases, which has been much agitated before this  
25 Commission: can you give the Commission some idea of the  
26 extent to which the shippers in your area in South-  
27 western Ontario have borne the impact of the series of  
28 percentage increases that we have seen since the war?

29 A. No, we can't.  
30





1 Q. I take it that you have not borne the  
2 full impact of them?

3 A. No.

4 Q. And that would be because of the availa-  
5 bility of other competitive modes of transportation?

6 A. Yes.

7 Q. And that serves to hold down the burden  
8 of those percentage increases?

9 A. Yes.

10 Q. You speak of your competitive disadvantage:  
11 is that vis-a-vis other areas of central Canada?

12 A. Yes, it is.

13 Q. That is what you had in mind when you say  
14 Ontario suffers some competitive disadvantage?

15 A. Yes.

16 Q. I suppose there are other areas over which  
17 you have a competitive advantage -- other parts of  
18 Canada, in the west or the maritimes?

19 A. No, there is not. That is precisely what  
20 we are complaining about before this Commission.

21 Q. When you say that you have no competitive  
22 advantage, you mean in your access to those markets, or  
23 do you mean that you have no competitive advantage over  
24 western Canada or the maritimes in your access to the  
25 markets of central Canada?

26 A. We are talking about the markets outside  
27 of central Canada. That is, we pay the highest rates  
28 to the maritimes in central Canada. We pay an equal  
29 rate to the markets in western Canada from central Canada.  
30





1 Q. So, your disadvantage is in relation to  
2 your access to markets entirely outside of central  
3 Canada?

4 A. Yes.

5 Q. Do you consider that the maintenance of  
6 the Crow's Nest level of rates has been a factor in im-  
7 posing a burden on the shippers in Southwestern Ontario?

8 A. Yes, we do.

9 Q. And you feel you have suffered from that  
10 even despite the competitive transportation that is  
11 available to you?

12 A. Yes.

13 Q. With reference to the A and B territories,  
14 is it the suggestion of your organization that that  
15 grouping should be abolished?

16 A. Not necessarily.

17 Q. Well, now, is that consistent with your  
18 expressed preference for a mileage scale?

19 A. We believe that the precedent for rates  
20 based on geographical location and mileage was established  
21 on March 1st, 1955, when communities within the A and B  
22 grouping, with a shorter mileage to the west, were  
23 permitted the benefit of their geographical location by  
24 lower rates, and we have shown that in our Exhibit No. 7.  
25 For instance, Peterborough, Gravenhurst, North Bay,  
26 Pembroke -- communities within that general area.

27 Q. You are under no disadvantage vis-a-vis  
28 Toronto on your shipments to the west, are you?

29 A. Costwise?  
30







1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

Q. Yes.

A. No.

Q. You have the same rate?

A. That is right, going west.

Q. So, you are really compensated because your movements travel over a greater mileage?

A. Yes; there is a time factor in there, though, and that is only on western shipments.

Q. In your brief, dealing with the matter of the solution to this horizontal percentage increase problem, you have told us that you suggest that there be a decrease in percentages as the distance grows. Had you considered any other possible solutions to the horizontal percentage increase problem?

A. No, we haven't.

Q. This is the only one you have thought of?

A. Yes.

Q. Do you not anticipate that there may be some difficulty in connection with this solution in that it will entail higher increases than would otherwise apply in short-haul movements?

A. We believe the increase in the long haul will always be greater, and, therefore, it is our first concern.

Q. You do not think there is any danger that this solution may be self-defeating?

A. No.

Q. Just as a matter of interest, what is the breaking point between a short haul and a long haul? Is





1 that a question that permits of an answer?

2 A. Anything over one thousand miles we would  
3 say, generally speaking is considered a distant market.

4 Q. I would ask you to turn for a moment to  
5 Exhibit 3, if you would, Mr. Elder, in which you set out  
6 the proposed rates that would come about if you were to  
7 be granted the short mileage basis for your westbound  
8 shipments. Is this proposal of yours possible in the  
9 light of the long haul/short haul provisions of The  
10 Railway Act, or would that have to be amended?

11 MR. FRAWLEY: That doesn't bother the railways  
12 very much.

13 MR. SINCLAIR: Oh, yes, it does; we comply with  
14 the law.

15 MR. CUMMING: Q. Having in mind we are  
16 dealing here with class rates?

17 THE CHAIRMAN: Well, that might be a question  
18 of law.

19 THE WITNESS: We haven't looked into that and  
20 are not qualified, really, to speak on it.

21 MR. CUMMING: Q. I am advised that if, for  
22 instance, the rate scale that you propose here were estab-  
23 lished, that the rates similar to the Sarnia rate would  
24 apply all the way around to Parry Sound because of the  
25 provisions of this long haul/short haul clause. Did  
26 you have that in mind at all when you were making this  
27 suggestion?

28 A. No.

29 Q. Can you tell the Commission on this  
30







1 question of the short mileage proposal, the background  
2 of the reasons why the short mileage has not been avail-  
3 able or has not been used as a basis of your westbound  
4 rates?

5 A. I believe this is the first time we have  
6 come right out and requested that we be given the benefit  
7 of our geographical location, and this request has been  
8 brought about due to the steadily worsening situation  
9 that is facing us in Southwestern Ontario. Our costs  
10 are increasing going east, and remaining equal with other  
11 large competitors to the east on the western hauls. We  
12 are by far the closest to Western Canada within central  
13 Canada, and we are by far the furthest away from the  
14 east, and we are merely asking for a geographic advantage,  
15 and we can best achieve this through the application of  
16 short-line mileage.

17 Q. You hadn't sought it at any time prior  
18 to this -- you hadn't sought this short-line mileage rate?

19 A. We mentioned this as an alternative in  
20 our equalization submission.

21 Q. I see, and you have continued to advocate  
22 it since that time, I take it?

23 A. Yes.

24 Q. I notice, dealing with the alternative  
25 proposal that you make, which is set out in Exhibit 4,  
26 that there would be a substantial reduction on the rates  
27 from Windsor to the east but there would be entailed,  
28 presumably, an increase in the rates from Montreal to  
29 Halifax; that is, they would both go to the Toronto level  
30





1 on the basis of the application of the territorial  
2 grouping?

3 A. This also happened when the westbound  
4 principle came into being.  
5  
6  
7 -  
8  
9  
10 -  
11  
12  
13 -  
14  
15  
16 -  
17  
18  
19 -  
20  
21  
22 -  
23  
24  
25 -  
26  
27  
28  
29  
30





1 Q. I see. It may be facetious to ask how  
2 acceptable you think this proposal would be in Montreal.

3 A. I would imagine it would be just about as  
4 acceptable as the present basis is to shippers in  
5 Southwestern Ontario.

6 Q. It is for that reason you say the prefer-  
7 able system is a straight mileage basis?

8 A. Right.

9 Q. Just one or two more points, Mr. Elder.  
10 In paragraph 22 you say, dealing with the straight line  
11 mileage question:

12 "We would naturally expect this principle  
13 to carry rail routing restrictions limiting U.S.  
14 operation to Canadian railroad subsidiaries for  
15 all or as much of the haul as possible."

16 Would you just explain to the Commission what re-  
17 strictions you have in mind, how they operate?

18 A. This is merely a suggestion. We were  
19 under the impression from our own feelings, from  
20 discussions of this, that shippers in southwestern  
21 Ontario in particular would be entirely agreeable to  
22 the routings through the United States if that was the  
23 answer, of all subsidiary companies of Canadian railways.  
24 We have given the routings in our Exhibit 3.

25 Q. As you said to Mr. Ferris, these are  
26 practical routes that would be available?

27 A. Yes.

28 Q. Going over to paragraph 28, and what you  
29 say about water rates, is it the view of your organization  
30







1 that the water rates should move up and down in a fixed  
2 relationship to rail rates, or should they be on some  
3 other basis entirely?

4 A. No, they should not move up and down with  
5 rail rates. We believe they have been too closely re-  
6 lated for too many years.

7 Q. Does your Association take the view that  
8 water rates should be on a cost of service basis?

9 A. We believe they should reflect the true  
10 economy of water.

11 Q. On a cost basis?

12 A. On a mileage basis.

13 Q. Are you suggesting that there be a general  
14 review of the existing water rate structure?

15 A. That would seem to be in order now that the  
16 Great Lakes-St. Lawrence Seaway is in operation.

17 Q. Just one last point. I take it that  
18 these proposals that you have, the straight line mileage  
19 basis, or as an alternative the grouping of eastbound  
20 movements, are put forward as alternatives. You are  
21 not suggesting to the Commission that it recommend that  
22 both be adopted?

23 A. That is right -- one or the other would be  
24 entirely acceptable to Southwestern Ontario.

25 MR. CUMMING: Thank you.

26 THE CHAIRMAN: We will have five minutes'  
27 recess.

28 ---Short recess.  
29  
30





1 THE CHAIRMAN: Mr. Hume?

2  
3 CROSS-EXAMINATION BY MR. HUME:

4 Q. I represent the Canadian Trucking  
5 Association and I just have one or two questions for  
6 you, Mr. Elder. I do not need notes for them, and  
7 you will not need your brief.

8 As a result of your comments to Mr. Cumming  
9 and the reflection in your brief as to the geographic  
10 advantages or disadvantages in which you find yourselves,  
11 may I, because of the interest of the Commission in  
12 this matter, ask you this: I am informed that Windsor  
13 is a sort of gateway for a substantial highway movement  
14 of freight into western Canadian points as far as  
15 Vancouver, a distance of over two thousand miles -- is  
16 that correct?

17 A. That is correct.

18 Q. And you in Windsor have services of a  
19 number of motor vehicle highway carriers who operate  
20 from Windsor and southwestern Ontario into western  
21 Canadian points?

22 A. That is right.

23 Q. Has this been an advantage to you in  
24 Windsor with respect to the matter generally of freight  
25 rates?

26 A. Yes, it has.

27 Q. For example, perhaps I could put this to  
28 you. In the matter of moving automobiles from your  
29 city, has the advent of the movement of these automo-  
30 biles by highway carrier produced competitive rates --







1 is that correct? And later there were some agreed  
2 charges, so that the freight rates were reduced?

3 A. Yes.

4 Q. May I ask you this: this suggestion in  
5 your brief of using the short mileage by American rail-  
6 roads -- you now can enjoy that by highway, but it in-  
7 volves driving through the United States?

8 A. That is right.

9 Q. Is this movement of freight from your area  
10 increasing to western Canada or decreasing, or do you  
11 know?

12 THE CHAIRMAN: By road?

13 MR. HUME: Q. Yes. I am only talking about  
14 road transportation.

15 A. I would say it is increasing.

16 Q. Similarly, you receive back-haul movements  
17 from western Canada into Windsor and the area, and is  
18 that also increasing?

19 A. I would say so.

20 Q. Has it achieved, in your view, as the  
21 industrial commissioner, has it achieved important pro-  
22 portions in that area of the country at the present time?  
23 This is the transcontinental movement of goods in transit  
24 for points to and from western Canada into your area?

25 A. Yes.

26 MR. HUME: Thank you very much.

27 THE CHAIRMAN: Mr. Mauro?  
28  
29  
30





CROSS-EXAMINATION BY MR. MAURO:

Q. Mr. Elder, there are certain definite advantages that Windsor enjoys ratewise into the far western market -- for example, on canned goods -- and I imagine canned goods are a fairly important item for Southwestern Ontario. There is an agreed charge from Toronto to Vancouver, 60,000 minimum, \$1.80; from Winnipeg to Vancouver, \$1.95. That is a fairly decent advantage for the City of Windsor, is it not, over the Winnipeg producer of canned goods?

A. That is the very thing we are speaking about, Mr. Mauro. You too are asking for a geographic benefit. Our rate would be lower than Toronto's if we had our geographic location recognized.

Q. Would you be in favour of supporting Winnipeg's position on rates from intermediate points?

A. If I may check for a moment.





1 Q. Yes?

2 A. We would have to know the circumstances  
3 behind all this before we could give a firm opinion.  
4 Generally speaking, we are in favour of benefiting the  
5 geographical location. The best way of giving this  
6 recognition to geographic location is mileage radius.

7 Q. And so the Associations that you repre-  
8 sent would on principle support the view that a pro-  
9 ducer or manufacturer trading in the same area should  
10 have preserved his geographic advantage vis-a-vis  
11 that area, so that a Winnipeg person should be able to  
12 trade into the Vancouver area at a lower rate than  
13 Toronto?

14 A. Yes. What we have said in our brief  
15 is that the rates should reflect mileage operated.

16 Q. And you would extend that even to the  
17 agreed charge on canned goods, that if the railways  
18 can give Windsor a rate of \$1.80 to Vancouver, surely  
19 they should be able to give the Winnipeg canned goods  
20 producer a rate under \$1.95?

21 A. It would all depend on the circumstances.

22 Q. Well, what are the circumstances that you  
23 have qualified for Windsor?

24 A. We believe this is based on water com-  
25 petition.

26 Q. Is it the water competition or the mile-  
27 age that Windsor is basing its position on?

28 A. It is the mileage.

29 Q. Your submission before this Commission is  
30







1 mileage, that you want your geographic advantage of  
2 mileage to be preserved?

3 Now, Mr. Elder, you have mentioned in paragraph  
4 7 of your submission this matter of the Crow's Nest Pass  
5 grain rates, and you won't be surprised that I might  
6 refer to it for a moment. I assume that your Associa-  
7 tions have come to the conclusion that the railways are  
8 losing substantial sums of money on the carriage of  
9 grain under the statutory rates and that as a result of  
10 these losses they are forced to try and make them up  
11 on other traffic. Is that correct?

12 A. We understand that they are forced to  
13 make up the revenues on other forms of traffic.

14 Q. And you don't have any misgivings where  
15 the railways make up any and all losses; it is from the  
16 freight. Is that not correct?

17 A. Yes.

18 Q. And your City of Windsor and Southwestern  
19 Ontario Associations that you represent would treat on  
20 the same basic principle any losses that the railways  
21 suffer. In other words, I trust that your Association  
22 is not singling out the statutory grain rates and saying  
23 that they represent the sole burden on the freight  
24 structure?

25 A. That is right.

26 Q. And the Associations that you represent  
27 would be strongly recommending to this Commission that  
28 they investigate passenger losses, and if they are found  
29 that they be removed from the back of the freight shipper.  
30





1 Is that correct?

2 A. That is correct.

3 Q. And that this Royal Commission should  
4 investigate the losses of commuter services, and if they  
5 find that there are losses on commuter services, these,  
6 too, should be removed from the backs of the freight  
7 shippers?

8 A. Yes.

9 Q. And that they should investigate the  
10 branch line operations, and to the extent that they  
11 represent losses that an attempt be made at removing  
12 these losses from the back of the freight shipper?

13 A. That is right.

14 Q. Now, as to the matter of horizontal  
15 percentage increases, Mr. Elder, you perhaps know that  
16 the Province of Manitoba dealt with this in their sub-  
17 mission in Winnipeg. I am going to read a paragraph  
18 and ask you for your comments.  
19

20 "Our problem in Canada is to establish a  
21 rate basis which minimizes the dollar increase  
22 on the long-haul traffic while at the same time  
23 maximizing the contribution from the short-haul  
24 traffic. The difficulty lies in finding the  
25 point of balance or diminishing returns where  
26 the increase results in a greater loss by way  
27 of diverted traffic than is realized from the  
28 higher rate. We submit that increases applied  
29 by way of cents per 100 pounds plus a smaller  
30 percentage increase is one possible scheme which







1 is worthy of study as a compromise formula.  
2 The formula would allow half the revenue to  
3 be realized by assessing a flat cents per  
4 100 pounds increase while the balance would  
5 be obtained by a percentage increase. By  
6 way of illustration, it has been calculated  
7 that the last increase granted by the Board  
8 of Transport Commissioners of 17 per cent  
9 would have been, under our proposal, one of  
10 3.1 cents per 100 pounds plus 8 per cent.  
11 Thus a rate which was 20 cents before the in-  
12 crease became 23 cents under the 17 per cent  
13 horizontal basis. Under the basis proposed  
14 here the increase would have been 3.1 cents  
15 plus 1.6 cents or 25 cents, disposing of the  
16 fractions. On the other hand, a rate of  
17 \$2 under the 17 per cent horizontal basis  
18 would become \$2.34. Under the formula we are  
19 proposing this increase would be 3.1 cents  
20 plus 16 cents, for a total of \$2.19.

21 "There are certain modifications in this  
22 formula which are necessary, in particular on  
23 the low grade commodities moving at low rates.  
24 These modifications will be dealt with in  
25 detail when our substantive submission is made  
26 at Ottawa."

27 Have the Associations that you represent given  
28 any thought to a specific recommendation to this Com-  
29 mission as an alternative to horizontal percentage  
30





1 increases?

2 A. No, we haven't.

3 Q. Would the Associations you represent  
4 support a scheme which tended to redistribute some of  
5 this burden from the long haul to the short haul shippers?  
6

7 A. We would support -- we have suggested  
8 another method of increasing the rates, if it is satis-  
9 factory to the railways. We must maintain our railway  
10 system.

11 Q. And it is accepted by the Associations  
12 which you represent that in any redistribution, reallo-  
13 cation of this burden it has to be taken off the long  
14 haul and must be a basis which more closely tends to  
15 reflect the terminal costs and long haul costs?

16 A. I can assure you that we feel the per-  
17 centage increases on our long haul. We are reminded  
18 every time we pay a freight bill.

19 Q. The Province of Manitoba has taken a  
20 particular interest in this matter of water rates and  
21 has opposed and strenuously opposed the present practice  
22 of the Board of Transport Commissioners in permitting  
23 water rates to increase, to maintain a differential  
24 level with rail rates, and in our brief to this  
25 Royal Commission in February the Province of Manitoba  
26 made the following recommendations:

27 "An amendment to the relevant legislation which  
28 would require the water carriers to apply  
29 to the Board of Transport Commissioners  
30 and to show cause for any proposed increase





1 in water rates and that in such application  
2 the rates be established on the financial  
3 requirements of the water carriers without  
4 reference to the rail rates.

5 "That the through rate on a shipment  
6 carried by more than one type of carrier  
7 should reflect the relative rate characteris-  
8 tics of each type of carrier to the extent that  
9 each has participated in that movement."

10 Would the Associations that you represent  
11 support such a proposal?

12 A. We have stated in our brief that we are  
13 in favour of water rates which reflect the true economy  
14 of water. We have said that we believe water rates  
15 have been related to the rail rates for too many years,  
16 and, generally speaking, in all probability would  
17 favour that type of recommendation.

18 MR. MAURO: I want to compliment you, Mr.  
19 Elder, and the men who have worked with you on your  
20 presentation.

21 THE CHAIRMAN: Mr. Frawley?

22 CROSS-EXAMINATION BY MR. FRAWLEY:

23 Q. Mr. Elder, I should say that my name is  
24 Frawley and I am here representing the Province of  
25 Alberta.

26 I am just a little bit confused about your  
27 opposition to the method which the Board of Transport  
28 Commissioners use to authorize increases. Do I under-  
29 stand that you are principally concerned with the  
30







1 application or method on your eastbound rates?

2 A. On all movements.

3 Q. But principally on your eastbound movements?

4 A. That is where we feel it at the moment.

5 Q. The general tenor of your brief appears  
6 to put forth a grievance which revolves around your  
7 eastbound shipments. Am I right in saying that that  
8 is the general purport ---

9 A. No, we feel in all movements. It hits  
10 us hardest when we compete with points further to the  
11 east, but it hits us and it affects us and concerns  
12 us on all movements east and west.

13 Q. But it hurts you principally on your  
14 eastbound movements?

15 A. This is because our westbound rates are  
16 equal with our competition.

17 Q. It more or less follows: on your east-  
18 bound movements you have no groups A and B; on your  
19 westbound movements you have these famous A and B  
20 groups?

21 A. Yes.

22 Q. But when you are talking about horizontal  
23 increases, have you ever worked out the percentage of  
24 shipments out of Southwestern Ontario that move at  
25 the class rates and non-competitive commodity rates?

26 A. We have never worked it out. We know  
27 that it is a smaller percentage.

28 Q. You show on this map from Ontario com-  
29 munities to Halifax that Windsor has a rate of 4.64;  
30





1 that is class rate 100?

2 A. Yes.

3 Q. I was wondering how much stuff moves out  
4 from Windsor. Some does, but percentagewise how much?

5 A. A very, very small percentage. We main-  
6 tain that the other rates are based on class rates.

7 Q. Not agreed charges?

8 A. They start off on that point.

9 Q. Agreed charges start off on that?

10 A. Yes.

11 Q. Can you say that canned goods are important  
12 in Essex?

13 A. Yes.

14 Q. And they move out to Lethbridge at \$2 and  
15 they move to Calgary at \$2.30. Of course, I have to say  
16 that they move to Vancouver at \$1.80, but that is another  
17 story. Now, they move to Lethbridge at \$2 and to  
18 Calgary at \$2.30, and there hasn't been an increase since  
19 it went in. It is an old agreed charge; it is No. 62.  
20 Now, there is not much harm from horizontal percentage in-  
21 creases on the canned goods moving out of Essex County  
22 or Lambton County, and all those good counties down there.  
23 You call Southwestern Ontario right up to London, don't  
24 you?  
25

26 A. Yes, six counties.  
27  
28  
29  
30







1 Q. Certainly, and in all seriousness your  
2 canned goods, they just couldn't care less whether you  
3 put on a horizontal or a vertical?

4 A. Perhaps if they moved them on short line  
5 mileage the rate would be lower to Calgary and Leth-  
6 bridge.

7 Q. You think it would be lower than \$2  
8 to Lethbridge -- not likely. I want to talk to you  
9 about that for a minute, because, why don't you use the  
10 American roads?

11 A. We would have to pay the Toronto rate;  
12 there is no advantage.

13 Q. Are you aware that for a considerable  
14 period of time the Essex County canners actually used  
15 the transcontinental rate from Detroit to Coutts as  
16 far as Alberta suppliers were concerned?

17 A. That could be.

18 Q. Well, it could be and it was for many  
19 long months, and do you know what knocked it out? That  
20 \$2 rate to Lethbridge, an agreed charge, and \$2.30  
21 to Calgary; that happens to be just the facts of the  
22 case. The Essex County canners were defeating the  
23 all-Canadian rate, and they shipped thousands of cases  
24 in by truck from Coutts. They took it on the trans-  
25 continental rate because Coutts equals Seattle -- you  
26 know that -- and that certainly is another story. The  
27 rate from Detroit to Seattle and from Detroit to Coutts  
28 is the same; they have to be the same under the American  
29 freight rates structure. So, Essex County canners took  
30





1 advantage of that, very properly, and trucked their  
2 canned goods over to Detroit and put them on the New  
3 York Central cars to Coutts, and trucked them from  
4 Coutts to Calgary and Lethbridge -- and maybe they got  
5 some of them over to Edmonton. That was using the  
6 transcontinental freight rate structure. You would  
7 still do that, I suppose, except for the very favourable  
8 agreed charge that the railways voluntarily gave you --  
9 in fact, really pushed on you, as a matter of fact?

10  
11 A. Yes.

12 Q. Now, then, going over to Winnipeg, using  
13 the American roads to Winnipeg, physically they are there  
14 for you to use: why don't you use them to Winnipeg, or  
15 to Manitoba generally, for instance?

16 A. I believe we do use them to some extent,  
17 but what we are asking for is a through rate based on  
18 our geographical location and the cost of operation, and  
19 we think that can best be achieved by loading a freight  
20 car at Windsor or Leamington or London, or any point  
21 in Southwestern Ontario, and shipping it through the  
22 United States. If they are going to use the United  
23 States route on Canadian subsidiary lines -- not trans-  
24 shipping; trucking from Detroit or Coutts. Let us have  
25 a through rate.

26 Q. That is right, and you can't get that  
27 unless the railways give it to you, and that is really  
28 the same: when you get to the Manitoba line they charge  
29 you the full class rate to Winnipeg?

30 A. Yes.







1 Q. Just like they do on the farm machinery  
2 going to Alberta or Saskatchewan, and that is really the  
3 complaint but you can't get the railways to see that.  
4 They would rather take it and haul it all the way from  
5 Windsor to Edmonton?

6 A. Yes.

7 Q. You say you would like your rates based on  
8 mileage: do you really say that seriously with regard to  
9 westbound movement?

10 A. We would be satisfied if the rate was based  
11 on mileage, and we would leave the operating end of it  
12 up to the railways. If they wish to haul it back through  
13 Toronto, that is their business. We think we should pay  
14 the rate based on the short mileage rate.

15 Q. You want mileage rates, but the distance  
16 from Windsor to Edmonton has to be Windsor to Chicago  
17 to Minneapolis and through Northgate, or some place like  
18 that; that is what you mean -- using the American roads?

19 A. Yes.

20 Q. And you don't want to scrap A and B and  
21 substitute mileage from Toronto to Windsor and to Winnipeg  
22 and to Edmonton?

23 A. No.

24 Q. And that is what you want the Commission to  
25 understand: you want to go back to mileage rates, but  
26 using the mileage through the American roads?

27 A. Yes. There are several points in Ontario  
28 now that have this benefit of mileage: Aurora, for example,  
29 625; and Gravenhurst 595, and so on.  
30







1 Q. They get the advantage?

2 A. And they are excluded from the A and B  
3 grouping uniform rates.

4 Q. Well, Essex County is not worried too  
5 much about Gravenhurst, I don't think?

6 A. We have lost some good employers to that  
7 general area.

8 Q. In any event, you are certainly not  
9 advocating the scrapping of groups A and B?

10 A. No.

11 Q. Because on your westbound traffic this  
12 A and B business just moved Windsor right into Toronto,  
13 didn't it?

14 A. Yes, for western shipments.

15 Q. They are important in the country, aren't  
16 they?

17 A. Yes, they are very important.

18 Q. And that same group A and B business moved  
19 Montreal right up to Toronto?

20 A. Yes.

21 Q. Toronto was taken as the centre?

22 A. Right.

23 Q. And exclusive of these little points that  
24 are closer mileage-wise to Winnipeg than Toronto, they  
25 get an advantage?

26 A. Yes.

27 Q. But, generally speaking, the big indus-  
28 trial centres of the whole of Ontario and the western  
29 part of Quebec were all put on the Toronto mileage?  
30





1 A. That is correct.

2 Q. And that was certainly, we were told,  
3 a terrific advantage to industrial Ontario? There is  
4 no doubt about that -- so much so that you were not  
5 thinking for an instant of scrapping groups A and B,  
6 except you could have your mileage counted through the  
7 State of Michigan?

8 A. It is an advantage to certain sections  
9 of the province.

10 Q. And it is a great advantage to Windsor  
11 and Chatham and Sarnia and London?

12 A. Yes.

13 Q. Another reason why you are not too worried  
14 about horizontal percentage increases, if I may say so,  
15 is that you have a tremendous lot of agreed charges in  
16 and out of Southwestern Ontario?

17 A. Yes, we do.

18 Q. And that is just an economic fact of life  
19 because of the great pervasiveness of truck competition  
20 in the whole of Western Ontario?

21 A. Truck and competition from other centres  
22 in the province that are further to the east.

23 Q. Honestly, if you looked at the whole of  
24 Canada you could not find any part of Canada that has  
25 more competitive factors: you have water competition?

26 A. Yes.

27 Q. You have excellent highways all over  
28 Ontario which give you very effective truck competition?

29 A. We would like to see them improved.  
30







1 Q. Well, you are hard to please. Then, you  
2 have market competition -- lots of market competition?

3 A. Yes.

4 Q. You would like to see them improved be-  
5 cause the Chrysler Corporation would like to sell more  
6 cars?

7 A. But we are surrounded on three sides by the  
8 United States.

9 Q. Is that good or bad?

10 A. That is, Essex County.

11 Q. And except for the tariff wall does not  
12 that give you a tremendous market right at your door?

13 A. Not necessarily.

14 Q. It is pretty hard to get into the United  
15 States some times?

16 A. That is right.

17 Q. We think our oil should be in Toledo and  
18 Detroit.

19 A. We are fighting with you.

20 Q. Well, we will work together on that some  
21 day. Going east, though, is where you have to pay;  
22 you have no group A and B, and you feel that, don't you?

23 A. We feel it very severely.

24 Q. Perhaps you are spoiled. You have got  
25 this groups A and B westbound, and you like that, subject  
26 to your individual, personal matter about going through  
27 the state of Michigan, but you have not got that going  
28 down to Halifax?

29 A. No.  
30





1 Q. But all you have to do is get to Montreal  
2 -- I mean, the rates to Halifax are made by the payment  
3 of an arbitrary over Montreal?

4 A. That is right. I would like to disagree  
5 with you on your previous statement, though. If we had  
6 Montreal's position, you might accuse us of being spoilt.  
7 Montreal is the favourite location because Montreal is  
8 nearer to the maritimes and pays the lowest rate, and  
9 is further from the Canadian West and yet they pay the  
10 Toronto rate.

11 Q. And it has the St. Lawrence River at its  
12 door?

13 A. Yes, and ocean freighters going by every  
14 few minutes.

15 Q. Just like you have?

16 A. We could dispute that.

17 Q. When you say in paragraph 7 that there is  
18 something slow down in Windsor, I would not have thought  
19 you would have admitted that; but, you say industrial  
20 development is extremely slow because of the existing  
21 westbound freight rate pattern. I don't want to give  
22 you the impression that I am opposed to you in these  
23 proceedings, but, like Mr. Mauro, I am very pleased to  
24 see you hitting at this vicious way of increasing  
25 freight rates by a horizontal percentage method, but  
26 I was wondering what industrial development was slow  
27 because of the westbound freight rate pattern, where  
28 you have the Toronto rate?

29 A. It is a competitive factor. When an  
30







1 industrialist comes in to see us he doesn't come to  
2 our office exclusively and rely on information from that  
3 one source. He probably goes to the banks and the  
4 transportation companies, and inasmuch as he is going to  
5 have to bring in raw materials and ship finished products  
6 to the market, he wants to locate in the best possible  
7 area. Now, railway rates in nine times out of ten are  
8 probably what he bases his decision on, all other factors  
9 being equal. Why in the world would a manufacturer  
10 place himself in an obvious disadvantage in southwestern  
11 Ontario if he has a large market in Toronto or Montreal,  
12 or brings raw materials from the steel companies of  
13 Hamilton, when he could locate in the same general area  
14 and get the same western rate and get a lower rate east?  
15 He is in the best possible location.  
16

17 Q. So, you have to take second position to  
18 Toronto and Montreal?

19 A. Yes.

20 Q. And that is not very satisfactory?

21 A. Second, third or fourth; it depends on  
22 how you graduate this.

23 Q. I wanted to ask this: you stated you  
24 wanted a joint through rate from Windsor through the  
25 American states up into western Canada because it was  
26 this combination of locals that defeated you and made it  
27 not worth while to ship through the Minnesota transfer.

28 A. We would like to load a car in Windsor and  
29 ship it through.

30 Q. On a joint through rate?







1 A. Yes.

2 Q. What is sometimes called a single factor  
3 joint through rate; that is what you want?

4 A. Yes.

5 Q. You do have some joint through rates on  
6 goods coming in from the United States into Western  
7 Ontario; you know about that, I suppose?

8 A. Yes, we do.

9 Q. I will give you an example of one that is  
10 particularly bothersome to me. You have a joint through  
11 rate on farm machinery coming from anywhere in the  
12 Chicago area down into London, and I believe western  
13 Ontario, on a joint single factor through basis, whereas  
14 from the same factory in the Chicago area to Calgary  
15 and Edmonton you have a rate to the border and the full  
16 class rate beyond the border. Have you ever examined  
17 that particular situation?

18 A. I haven't, personally. Let me talk to  
19 my associates here for a moment.

20 Q. I will tell you why you have that, if you  
21 wish.

22 A. They are still in effect, yes.

23 Q. And that is because two or three American  
24 railways have thrust themselves from the United States  
25 into southwestern Ontario?

26 A. Right.

27 Q. The old Wabash and Chesapeake and Ohio  
28 and New York Central, and so on; that is an advantage  
29 to western Ontario?  
30





1  
2 A. Yes.

3 MR. FRAWLEY: Thank you very much, Mr. Elder.

4  
5 CROSS-EXAMINATION BY MR. SINCLAIR:

6 Q. Mr. Elder, you are basically a traffic  
7 man? I take it that is your training?

8 A. No, I am basically an industrial commis-  
9 sioner.

10 Q. But you have with you traffic men, Mr.  
11 Turner and Mr. Wilson, as your associates in these  
12 questions?

13 A. That is right.

14 Q. And if there is any question I put to you  
15 and you feel they should answer, that is all right, I  
16 think, rather than conferring if you would rather have  
17 it that way.

18 First, I would like to ask you this: when you  
19 suggest that on eastbound shipments something comparable  
20 to groups A and B would be applicable, you realize of  
21 course that points such as Cornwall, Oakville, Oshawa,  
22 right up to Montreal, would immediately complain as to  
23 the situation being detrimental as compared to what  
24 they have today?

25 A. That is quite possible.

26 Q. And they would say that this change would  
27 result in dislocation of their industry and they would  
28 expect to be exempted and to have their mileage. That  
29 would be the way they would approach it, would it not?

30 A. They would have our experience to fall







1 back on.

2 Q. I do not know whether they would have  
3 your experience or not because your experience was when  
4 mileage rates were to be applied by Canadian routes.  
5 You took the position that you did not want A and B on  
6 westbound shipments done away with unless you could get  
7 short-line mileage via American routes. That was your  
8 position. You also said that you would like to have  
9 groups A and B maintained. That was your position,  
10 was it no?  
11

12 A. Yes, that is right.

13 Q. And it was maintained under equalization.  
14 Now, you say to this Commission, "We would like to have  
15 comparable to A and B on eastbound shipments because  
16 we want to have either that or mileage operating." You  
17 would be content with mileage operating both east and  
18 west?

19 A. We would.

20 Q. But a big "if" in it, only if the west-  
21 bound mileage operated via American routes?

22 A. Yes.

23 Q. And if you were going to operate east-  
24 bound on mileage you would take the mileage factor  
25 right through to destination; that would be Windsor-  
26 Saint John?

27 MR. TURNER: I think perhaps I had better  
28 answer this question. I realize this is loaded. I think  
29 we have got it unloaded in that these eastbound routes  
30 are made up over Montreal and I think that is what you





1 are aiming at us.

2  
3 Q. In other words, you would not want to pay  
4 rates on mileage eastbound. You would only want to pay  
5 a factor over Montreal on top of group factor at Toronto;  
6 is that correct?

7 MR. TURNER: I think first of all I clarified  
8 the eastbound rate-making principle as it exists today,  
9 and if you are asking the question if we would be content  
10 with straight mileage, I cannot see that we would deny  
11 that when we are asking for a westbound mileage.

12 Q. It would, of course, increase all your  
13 rates into the maritimes over what exists now?

14 MR. TURNER: Yes, that is true.

15 Q. And in some degrees very substantially,  
16 I suggest to you 50 per cent or more in some cases. You  
17 would still be satisfied?

18 MR. TURNER: Well, we are asking for a prin-  
19 ciple here; I do not know that we can have too many  
20 exceptions to the principle we are asking for.

21 Q. Mr. Turner, would not this be what happened  
22 immediately you found the traffic did not move freely in  
23 a mileage commodity scale such as you are suggesting or  
24 on a class rate scale you would then approach the railways  
25 for a point to point specific commodity rate so your  
26 traffic could move freely. That would be the first  
27 thing you would do?

28 MR. TURNER: Yes, based on volume. If you  
29 had the volume that is what you would do, yes.

30 Q. So you would ask the railways for an





1 exception so the traffic would move freely?

2 MR. TURNER: That is true. If you have the  
3 volume very definitely you would do that.

4 Q. So that this mileage only would be kept  
5 where it was an advantage produced a lower rate, but  
6 where the mileage produced a higher rate you would ask  
7 for a point to point rate?

8 MR. TURNER: You are talking specific indus-  
9 tries now, in effect?

10 Q. Yes.

11 MR. TURNER: In other words, you are directing  
12 your question right at me?

13 Q. That is right.

14 MR. TURNER: Yes, no question.

15 Q. Now, we will come to your other adviser,  
16 or you can answer if you like. You seem to be concerned  
17 specifically with class rates in this submission and you  
18 say the reason for that is the relationship between the  
19 commodity rates and the class rates?

20 MR. TURNER: Yes.

21 Q. And I certainly would agree there are  
22 relationships. Once again the big proportion of them,  
23 it is true on your traffic, for instance, some places  
24 like Chatham move not on class rates but on commodity  
25 rates; is that correct?

26 A. We have said that.

27 Q. And if these point to point commodity rates  
28 out of Chatham were taken out and we went to a straight  
29 mileage basis there might be, would you agree, some people  
30







1 factors involved in that, Mr. Elder, or whoever wants  
2 to answer?

3 A. Sure.

4 Q. One of those was the relative prosperity  
5 by way of regions, was it not?

6 A. Yes.

7 Q. And what you are really concerned with  
8 in this matter of horizontal increases, I take it, is  
9 that you feel if it is possible to do so, and if the  
10 needed revenues of the railways can be secured, that  
11 what you would like to see is a percentage increase  
12 graduated with distance; is that right?

13 A. That is right.

14 Q. Rather than any unfair loading on the  
15 short-haul shipper being short-hauled where he is 500  
16 or 1,000 ---

17 A. Yes.

18 Q. Or 1500?

19 A. Maybe more realistic.

20 Q. Would you also perhaps support the view  
21 that possibly rates, say under 3 cents per ton per  
22 mile would be increased, but those over 3 cents per ton  
23 per mile would be exempt? Would that find favour with  
24 your people?

25 A. We have not given that any consideration  
26 at all.

27 Q. Would you like to give it consideration  
28 with your advisers now who I am sure have thought about  
29 that?  
30





1 THE CHAIRMAN: I think in fairness to them  
2 they should have time to think it over and consider it.

3 MR. SINCLAIR: Q. Thank you. It is not  
4 your view, the view of your Association, that differen-  
5 tial pricing or value of service pricing should no  
6 longer apply in the freight rate structure, is it? You  
7 believe in the basic value of service pricing in the  
8 freight rate structure, do you not?

9 MR. FRAWLEY: Why do you not ask him whether  
10 he does, rather than tell him?

11 MR. SINCLAIR: I do not give evidence but I  
12 do ask questions. Maybe there is a difference. I do  
13 not think there is any difficulty with experienced men  
14 like Mr. Turner and Mr. Wilson sitting here, and also  
15 a very experienced industrial commissioner. These  
16 people are just as competent traffic people as you can  
17 find anywhere in Canada and they have been around a  
18 long time.

19 THE CHAIRMAN: Your question again?

20 MR. SINCLAIR: Q. My question was, you would  
21 agree with the value of service concept in the rate  
22 structure for making freight rates?

23 MR. TURNER: I do, but I think you have to  
24 take other factors into consideration today with the com-  
25 petitive picture that you have before you. You are  
26 well aware of that, but, of course, shall we say we do  
27 but we know many times you cannot.

28 Q. What you are saying is this, is it not,  
29 Mr. Turner, that the value of service principle is the  
30







1 best type of principle to apply in making freight rates  
2 but competition from other modes of transportation have  
3 to be a ceiling in some degree on the full application  
4 of that principle?

5 MR. TURNER: The value of service will  
6 certainly make for a healthy railway.

7 Q. And a healthy shipping index too?

8 MR. TURNER: Very likely, yes.

9 Q. I was intrigued by something I read in  
10 your brief and maybe you could tell me how you can do  
11 it. This was your suggestion of using short mileage  
12 through the United States but restricting it to Canadian  
13 carrier routes, and I wonder if you could assist the  
14 Commission by telling them if you restricted it to the  
15 Canadian routes how you could prevent, for instance, New  
16 York Central and Wabash, Chesapeake and Ohio from  
17 retaliating?

18 MR. TURNER: You could not.

19 Q. That is really the difficulty with the  
20 proposal, is it not?

21 MR. TURNER: That is right.

22 Q. In regard to the water rate proposals, I  
23 have no doubt, Mr. Chairman, that CSL are appearing  
24 before the Commission and I will not waste time going  
25 through that.  
26

27 -

28 -  
29  
30





1 I now wish to ask you a question or a group  
2 of questions arising out of some answers you gave to my  
3 friend Mr. Mauro from Manitoba.

4 In regard to statutory grain rates, I take it  
5 your view is that if these rates are not in the proper  
6 place in the rate structure and making a reasonable con-  
7 tribution to the work performed, and if in the national  
8 interest they must be maintained, then you would support  
9 a federal subsidy to make up the difference. Is that  
10 correct?

11 A. If it is in the national interest, we  
12 would support it.

13 Q. As you know, these rates for moving to  
14 export positions are fixed by statute, and the railways  
15 are incapable of adjusting them?

16 A. Yes.

17 Q. And in the light of that, do you not see  
18 a marked difference between that and commuter traffic,  
19 for instance, where the railways can adjust their rates  
20 to put that traffic on a reasonable level?

21 A. Yes.

22 Q. And do you also not see a marked distinc-  
23 tion between the statutory grain rate at a fixed level  
24 and passenger traffic, where again management is in the  
25 position to deal with the problem in a businesslike way?

26 A. Yes, there is a distinction.

27 Q. And it would be your view, would it not,  
28 that management should put passenger train service on a  
29 businesslike basis, or, failing that, the people who were  
30







1 trying to maintain a passenger service when the railways  
2 tried to eliminate it should take the burden of showing  
3 why that should be continued and, indeed, if it is  
4 local, that they should make up the cost themselves?

5 A. We would go along with that, yes.

6 Q. In regard to branch line operations, Mr.  
7 Mauro mentioned those. Let us look at western Canada,  
8 where we will assume that there are numerous branch  
9 lines where the large proportion, say, 70 per cent to  
10 75 per cent or more, of the traffic moving over the line  
11 is grain. If that grain was making a reasonable con-  
12 tribution to the railway revenues, that branch line  
13 would be an economic unit. I am asking you to make  
14 these assumptions with me. Under those circumstances,  
15 you would agree that it would not be in the national  
16 interest to have that considered as a branch line pro-  
17 blem when the traffic is grain, when the basic traffic  
18 is grain?  
19

20 MR. TURNER: I wonder how we would get that  
21 grain to the market if it were not for the railways? I  
22 wonder if this does not come on the heels of your previous  
23 question? After all, if you do not get the grain to  
24 the market, isn't the economy of the west doomed?

25 Q. Maybe that is another way of answering  
26 my question. By that do you mean that this is a grain  
27 problem and not a branch line problem?

28 MR. TURNER: Yes.

29 MR. SINCLAIR: Thank you very much. Mr.  
30 Chairman, I had a lot of notes here, but some of the







1 problems here are certainly technical. I think this  
2 brief shows the mark of experienced traffic men, as did  
3 the St. Catharines brief, and people who are dealing  
4 with this, and I compliment them for trying to get cer-  
5 tain advantages which I think everybody realizes that  
6 if they could get, being traffic men, they would take,  
7 but nevertheless there are other traffic men who would  
8 try to stop them. Thank you very much.

9 THE CHAIRMAN: Mr. McDonald?

10 MR. McDONALD: No questions.

11  
12 BY COMMISSIONER MANN:

13 Q. In paragraph 13 of your brief, Mr. Elder,  
14 you allege:

15 ". . . that we are rapidly reaching the point of  
16 restricting the radius of trade for industry to  
17 a very limited short-haul market and this is not  
18 in the best interests of the overall national  
19 economy."

20 Would you make a distinction, or do you make a distinction  
21 between the national economy and the interests of the  
22 railways in this matter? Is there an interest of  
23 the railways in regard to this development?

24 A. Yes.

25 Q. Could you elaborate on that, do you think?  
26 If you had a distribution pattern in Canada consisting  
27 mainly of short-haul movements, what would the distribu-  
28 tion of the traffic be among the various modes of carriage?

29 A. I could not say. We have not studied  
30 that, Mr. Mann. I would venture to say, though, that





1 many of our industries have a market that is reasonably  
2 close to their plant. In other words, they are not all  
3 long shippers.

4 Q. How do they ship for the market?

5 A. A good many of them use rail. Many use  
6 truck transportation.

7 Q. Do you find generally that your short-  
8 haul shipments are more susceptible to truck than your  
9 long-haul movements?

10 A. Speaking for Windsor, I would say yes,  
11 because they are manufacturers of a product that must  
12 arrive at a certain time.

13 Q. That is a service element rather than a  
14 distance element?

15 A. In many instances.

16 Q. You would not think that if you had a  
17 distribution pattern in this country that was largely  
18 short haul that the railways would find it more compe-  
19 titive?  
20

21 A. I think they would.

22 MR. TURNER: I wonder if we might qualify  
23 that, Mr. Mann. I think that we should qualify that and  
24 give the railways probably a little credit for their more  
25 progressive thinking in the last two or three years  
26 certainly. I think three years ago if you had asked  
27 that question, Mr. Elder's answer would be proper. I do  
28 not think so today. I think the railways are becoming  
29 very progressive, as in piggy-backing and in other means.  
30 I am very convinced that in this short-haul market today







1 there is going to be a battle between trucks and railways.

2 Q. It is very competitive, more competitive  
3 than the long haul market?

4 MR. TURNER: That is right.

5 Q. In paragraph 17, you talk about horizontal  
6 increases and a lower rate of increase for long haul  
7 traffic for future Canadian railway freight rate increases.  
8 As you know, we must grapple with this problem, and any  
9 help we can get will be, of course, tremendously appre-  
10 ciated. If you do what you suggest, I suppose, given a  
11 sum of money that has to be raised in order to cover the  
12 revenue requirements of the railways, this would mean  
13 -- I wonder whether you would agree with that -- a  
14 greater increase on the short haul traffic? That  
15 would be inevitable, I suppose?

16 MR. TURNER: Yes.

17 Q. You have thought undoubtedly about the  
18 impact that would have on short-haul traffic -- that is,  
19 shall we say, captive to the railways? Would that  
20 suffer, do you think -- the sand and the gravel, for  
21 instance?

22 MR. TURNER: We were considering here only  
23 Class rates. Obviously, it would brush off onto  
24 commodity rates, too.

25 Q. You would not want to restrict it to class  
26 rates?

27 MR. TURNER: That is right.

28 Q. Your principle would have to apply on  
29 commodity rates as well?  
30





1 MR. TURNER: Yes.

2 Q. Would you think the short hauls would be asked  
3 to take a greater increase than they are at present?

4 MR. TURNER: Are you referring to bulk com-  
5 modities?

6 Q. Short haul traffic of any kind -- the  
7 captive traffic. Let us take the sand and gravel, which  
8 is symptomatic of captive traffic. That would probably  
9 have to take a greater increase than would otherwise be  
10 the case?

11 MR. TURNER: I wonder whether we would not --  
12 for example, let us take a principle that has been  
13 applied in the United States, where we have for the short  
14 hauls, say, 10 per cent, and then for longer hauls maybe  
15 8 per cent or 7 per cent. That would also be applied  
16 to all rate commodities.

17 Q. Is that the principle that has been  
18 adopted in the United States?

19 MR. TURNER: No, but I am suggesting that is  
20 what we might consider.

21 Q. Not the American principle of maximum haul?

22 MR. TURNER: You are asking ---

23 Q. Would it result, this principle that you  
24 have in mind, in a greater revenue contribution by short  
25 haul traffic, that is captive to the railways?

26 MR. TURNER: It could. I think it would  
27 be open to study. Mind you, we are not definite on this.

28 Q. Yours is a tentative suggestion?

29 MR. TURNER: It is a tentative suggestion.  
30





1 We are trying to preserve the long haul markets.

2 Q. And I suppose the question, then, would  
3 arise as to how you make this greater increase applicable  
4 on highly competitive short haul traffic. That would  
5 be another difficulty?

6 MR. TURNER: It could well be, yes.

7 Q. With regard to your proposal in paragraph  
8 18, Mr. Elder. Mr. Cumming covered this with you.  
9 I am particularly interested in the proposal that east-  
10 bound rates be established on the present westbound  
11 large bulk principle. You agree that this would put Mon-  
12 treal at a greater disadvantage than they are now?

13 A. Yes. We do not believe they are at a  
14 disadvantage now.

15 Q. But it would put them up higher than the  
16 rates are now?

17 A. Yes.

18 Q. Do you foresee any possibility of the  
19 Montreal traffic so increased becoming more competitive  
20 as far as truck transportation is concerned?

21 A. That is a possibility.

22 Q. If that happens, do you foresee any pos-  
23 sibility of the railways, in order to meet that com-  
24 petition, reducing that rate to the level of the truck  
25 competition?

26 A. It would have to.

27 Q. So in the long run you may come up with  
28 the picture that while you have it on paper you do not  
29 have it in actuality?  
30







1 A. Yes, it is possible.

2 Q. With regard to this proposal, it is an  
3 alternative proposal? You have two suggestions?

4 A. Basic suggestions.

5 Q. Which do not coexist? Alternatives?  
6 When you look at your maritime market and compare it to  
7 your western market, which one is more important to  
8 southwestern Ontario? Let us take automobiles, Mr.  
9 Turner.

10 MR. TURNER: I have to be very careful now.

11 Q. Do not give away any company secrets.

12 MR. TURNER: As far as we are concerned, we  
13 are very interested in both markets and use considerable  
14 rail to both markets.

15 Q. But for southwestern Ontario generally,  
16 bearing in mind the population of western Canada and  
17 per capita income and comparing that with the maritime  
18 population and per capita income, is there very much  
19 doubt that the western Canadian market holds more promise?  
20

21 THE CHAIRMAN: It will not be held against you.

22 MR. TURNER: Thank you. That could well be.

23 COMMISSIONER MANN: Q. So you would be really  
24 better off if you got your western rate situation ad-  
25 justed rather than the eastern? The eastern rate  
26 adjustment is a very poor second?

27 MR. TURNER: We would deem either one quite  
28 an accomplishment.

29 Q. You do not have any order of priority  
30 as far as those two are concerned?





1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

MR. TURNER: No.

MR. FERRIS: I have just a couple of questions by way of re-examination. I wonder if the Commission can afford me a couple of minutes to confer with my colleagues.

THE CHAIRMAN: Yes.

---Short recess.

-

-

-

-

-







1 THE CHAIRMAN: Yes, Mr. Ferris.

2 MR. FERRIS: Thank you, Mr. Chairman.

3  
4 RE-EXAMINATION BY MR. FERRIS:

5 Q. Reflecting back to Mr. Cumming's ques-  
6 tioning, he asked, I believe, something like this:  
7 whether or not southwestern Ontario was compensated  
8 in the A and B group by having to run more mileage. I  
9 wonder if any one of you would further explain this?

10 MR. TURNER: We pay on Toronto mileage --  
11 you are talking about westbound?

12 Q. Yes.

13 A. The base in the A and B group is Toronto,  
14 so in effect we pay Toronto mileage. But our U.S.  
15 short-line mileage will provide us with lower rates under  
16 the class scale, and that, of course, will be comparable  
17 to the principle that came into effect on March 15th,  
18 1955, the freight equalization, that those points which  
19 had low mileage than Toronto reflecting lower rates  
20 under the class scale were permitted to enjoy those  
21 lower rates.

22 THE CHAIRMAN: Do you mean that equalization  
23 took something away from you?

24 MR. TURNER: No. I say it gave something to  
25 somebody else, which, of course, is in line with the  
26 principle we are asking for today or suggesting in  
27 connection with our westbound proposal.

28 THE CHAIRMAN: It didn't hurt you?

29 MR. TURNER: It didn't hurt us, no.

30 MR. FERRIS: Q. Now, I think the next





1 question I want to direct your attention to was some-  
2 thing like this: could we in southwestern Ontario not  
3 have rates published through the United States?

4 MR. TURNER: I think Mr. Sinclair referred  
5 to our previous presentation, which, of course, was at  
6 the time of the equalization, and it went to the Board  
7 of Transport Commissioners who were not, of course, in  
8 a position to make a change in that respect. But this is  
9 different this time; we are making this presentation to  
10 the Royal Commission, and we feel they have some power to  
11 make recommendations in connection with our proposals.

12 Q. My learned friend Mr. Sinclair asked  
13 something respecting your appearance before the Board  
14 of Transport Commissioners. Mr. Sinclair suggested  
15 that in southwestern Ontario's presentation to the Board  
16 of Transport Commissioners they were quite agreeable to  
17 the A and B block. I would ask you that you amplify  
18 that.

19 MR. TURNER: We were in agreement because we  
20 could not do anything about changing that principle at  
21 that particular time.

22 Q. Did you ask for short-line mileage at that  
23 time?

24 MR. TURNER: That was the alternative. I  
25 think we made definite reference to it in that brief.

26 Q. Could the Board of Transport Commissioners  
27 have given you any relief in this regard?

28 MR. TURNER: Not at that time, no.

29 Q. And I take it this was only a token  
30





1 request?

2 MR. TURNER: We thought by putting it in it  
3 was food for thought. We realized they couldn't do  
4 anything about it, but we felt it would be food for  
5 thought.

6 THE CHAIRMAN: Well, the Board could have  
7 changed A and B?

8 MR. FRAWLEY: You remember, Mr. Chairman, in  
9 the first blocks A and B groups were dropped out, and  
10 then after some intervention groups A and B were put  
11 back in?

12 THE CHAIRMAN: Did Southwestern Ontario  
13 Associations support this?

14 MR. TURNER: Actually we rode the fence pretty  
15 well on the thing.

16 THE CHAIRMAN: Thank you, Mr. Elder; thank you,  
17 Mr. Turner.

18 MR. SINCLAIR: I think so it is all in the one  
19 place, Mr. Chairman, if the Commission wishes to check it  
20 it is on page 19 of the JOR & R of the Decision in Class  
21 Equalization in the Judgment of March 15th, 1955.

22 MR. FERRIS: I wish to take this opportunity,  
23 sir, for the very fine hearing the Commission offered  
24 our brief, and I trust and hope for some favourable out-  
25 come from some of our brief.

26 THE CHAIRMAN: Thank you, MR. Ferris. We are  
27 sorry we had to keep you around so long, but we have been  
28 pleased with the number of submissions which are being  
29 made, which make our work harder but we are still happy  
30







1 that Canadians are interested in this problem. All  
2 we can do is promise you nothing but consideration.

3 MR. FERRIS: Thank you, Mr. Chairman.

4 THE CHAIRMAN: The Toronto Harbour Commis-  
5 sioners.  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





SUBMISSION OF  
THE TORONTO HARBOUR COMMISSIONERS

Appearances:

Mr. E. B. Griffith

General Manager

Mr. W. H. Colvin

Secretary-Solicitor

MR. GRIFFITH: Mr. Chairman and gentlemen, my name is Griffith. I am General Manager of the Toronto Harbour Commission, and I have with me Mr. Colvin, who is the Secretary-Solicitor of the Toronto Harbour Commission.

Sir, we would like to advise you that we are not here as either freight rate or traffic experts but to make a submission on one specific problem which we feel affects this port.

The Toronto Harbour Commissioners beg leave to bring to the attention of your Commission an inequity in railway rates on services which are extended to traffic through this port. It appears to the Commissioners that it is one which is not only unjust to this harbour but is also one which affects the net revenues of the railway adversely. The facts briefly stated are as follows:

Ever since railway transportation became fully established upon this continent special import and export rates have been given on traffic through the ports handling cargo destined to and coming from overseas. These rates have been regarded as segments of through







1 rates. As such they have been lower than the domestic  
2 rates for the carriage of the same goods to the port  
3 cities. In addition, export and import goods have  
4 received additional benefits such as longer free time  
5 before demurrage is charged. These rates and benefits  
6 have helped in the development of Canada's inter-  
7 national trade. Canadian ports must be kept upon a  
8 parity with the United States' Atlantic ports in these  
9 respects if they are to maintain and, if possible, in-  
10 crease their share of Canada's international trade.

11 The Port of Toronto is a logical entry to the  
12 largest single market in Canada. As shown in Appendix  
13 A, its direct overseas trade was growing even before the  
14 completion of the new St. Lawrence canals. This  
15 growth is continuing. The best information now avail-  
16 able from the shipping companies using the port is that  
17 in the 1960 season more ocean ships will call than came  
18 in 1959, a higher proportion of these will be 4500  
19 registered tons or greater and even without any wheat  
20 export the cargo handled is expected to approach and  
21 possibly exceed 1,000,000 tons.

22 Up to the present time nearly 99 per cent of  
23 this business has been handled by trucks. It is sub-  
24 mitted that the reason for this very high percentage  
25 is the failure of the railways to recognize Toronto as an  
26 ocean port with the result that export and import rates  
27 and associated services do not apply. It is recognized  
28 that due to Toronto's proximity to this rich market a  
29 certain percentage of its export-import business will be  
30





1 handled by trucks. It is contended, however, that the  
2 railways should be serving this international trade  
3 through the port of Toronto to a higher degree than one  
4 per cent of the total business. In soliciting business  
5 for the port many cases have been found where the railway  
6 costs to Toronto exceed the rail costs to Montreal, even  
7 though the car has passed through Toronto on its way  
8 to Montreal.

9  
10 The Commissioners do not support the general  
11 accepted feeling that the main effect of the new St.  
12 Lawrence canals on the Toronto area will be a diversion  
13 of existing traffic from the port of Montreal to the port  
14 of Toronto. The Commissioners have stated for a con-  
15 siderable time that the main effects of the new canals  
16 on the port of Toronto would result from an expansion of  
17 international trade in the southern Ontario area and an  
18 opportunity for the port to serve part of Canada's inter-  
19 national trade which had been using American seaboard  
20 ports. The Commissioners have recently opened a New  
21 York office to further this latter development. However,  
22 with Canadian export and import rates being on a parity  
23 with American seaboard ports, their non-application to the  
24 port of Toronto presents a serious handicap.

25 It is humbly suggested that your Commission  
26 see fit to recommend appropriate relief to this in-  
27 equitable freight rate structure. Toronto is now an  
28 ocean port. It is going to grow in relative importance.  
29 The railways can benefit themselves and the economy of  
30 southern Ontario if they will recognize that fact while





the situation is still fluid. By this action they can not only assist in the development of this growing business but in so doing secure a substantial share.

All of which is respectfully submitted.

APPENDIX "A"

|      | <u>Cargo Tonnage</u> | <u>No. of Ships</u> |
|------|----------------------|---------------------|
| 1954 | 122,319              | 351                 |
| 1955 | 120,239              | 396                 |
| 1956 | 164,929              | 455                 |
| 1957 | 200,395              | 523                 |
| 1958 | 287,768              | 659                 |
| 1959 | <u>713,186</u>       | <u>862</u>          |
|      | <u>1,608,836</u>     | <u>3,246</u>        |

THE CHAIRMAN: Thank you, Mr. Griffith.

CROSS-EXAMINATION BY MR. CUMMING:

Q. Mr. Griffith, on the second page of your brief at the end of the first paragraph you say:

"In soliciting business for the port many cases have been found where the railway costs to Toronto exceed the rail costs to Montreal, even though the car has passed through Toronto on its way to Montreal."

Would you give the Commission some idea of the points of origin of goods in respect of which you find this strange cost situation?

A. We feel, sir, that the area now served







1 by the port of Toronto in international trade extends  
2 from Peterborough northerly to Huntsville, south to  
3 Kitchener and Waterloo, and down to London. That is  
4 speaking in a general way. There are specific cases  
5 which go beyond that area. At the present time it is  
6 in that particular area that we are soliciting business  
7 in metropolitan Toronto.

8 Q. I notice from the appendix attached to  
9 your brief a very marked increase in the cargo tonnage  
10 passing through the port of Toronto in the years 1958  
11 and 1959, and you say on page 1 that for 1960 you expect  
12 that tonnage may exceed a million tons?

13 A. That is correct.

14 Q. That is due, I take it, to the seaway  
15 development?

16 A. That is correct. The direct overseas  
17 tonnage commenced to increase almost immediately with the  
18 announcement by the Canadian government that it proposed  
19 to construct the canal alone if necessary.

20 Q. Does that increase in tonnage moving  
21 through Toronto represent a diversion of movements  
22 through other Canadian ports?

23 A. It represents three factors which I be-  
24 lieve we attempted to deal with in the brief. First,  
25 we have a diversion from other Canadian Atlantic ports;  
26 second, the new business which has been created by the  
27 lower transportation factor brought about by the St.  
28 Lawrence seaway; and the third, and in our way of thinking  
29 far more important than the first, is diversion from the  
30





1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

American seaboard ports.

Q. Can you place these factors in any order of importance?

A. Yes. The first would be the development of new international trade in the southwestern Ontario. The second would be the diversion of business existing and new business from American seaboard ports, primarily, of course, New York, Baltimore, and the diversion to Montreal or Quebec.







1 Q. The suggestion in your brief is that the  
2 diversion from Montreal to Toronto is not particularly  
3 significant?

4 A. It is not, in our opinion, the most sig-  
5 nificant factor, no.

6 Q. Just dealing with the last point, you  
7 suggest that the Commission recommend that the port of  
8 Toronto be favoured with export-import rates which  
9 would give them parity with these American ports?

10 A. That is correct. We are requesting that  
11 we now be recognized as an ocean port and treated on an  
12 equal basis with both American and Canadian seaboard  
13 ports.

14 Q. What do you suggest as the level of export  
15 rates for the movement from Toronto?

16 A. We have no suggestion at this time.

17 Q. Would you leave that with the Board or  
18 with the railways?

19 A. That is correct.

20  
21 CROSS-EXAMINATION BY MR. HUME:

22 Q. Mr. Griffith, you and I have known each  
23 other for a long time and you know the interests I repre-  
24 sent. Of these 713,000 tons of which you say 99 per  
25 cent moved out of your premises by truck, how far would  
26 that go? What would be the average length of haul?

27 A. I couldn't answer on the length of haul,  
28 but the movement last year went within the area I refer-  
29 red to earlier; most of it, of course, in what we call  
30 the Greater Toronto area.





1 Q. Just in a very broad, quick way, if you  
2 can, what kind of goods are moving? Is it fabricated  
3 steel, for example? Would that be one?  
4

5 A. Yes, sir.

6 Q. And manufactured goods?

7 A. Yes, sir.

8 Q. And foodstuffs?

9 A. General package freight, plus certain bulk  
10 commodities.

11 Q. Are any of those commodities moving im-  
12 portant distances, up to one thousand miles?

13 A. Not to our knowledge at this time.

14 CROSS-EXAMINATION BY MR. MAURO:

15 Q. Mr. Griffith, would you also extend this  
16 privilege to the ports of Port Arthur and Fort William  
17 -- ocean ports? They told us out west that they would  
18 be our ocean ports when the seaway was completed.

19 A. I am afraid it is not within my power to  
20 extend it, even to the port of Toronto.

21 Q. Well, just the principle. We will leave  
22 it to the Commission to make the final recommendation.  
23 But, you are basing this on a principle that Toronto is  
24 now an ocean port, and would you also extend to the  
25 head of the lakes?

26 A. We are basing our submission on the basis  
27 of the tonnage we are handling -- that we handled in  
28 the last four or five years, particularly the first year  
29 of the opening of the seaway.

30 Q. The lakehead handles more tonnage than you





1 do.

2 A. We are talking of direct overseas tonnage  
3 -- not total tonnage.

4 Q. We are not going to decide this just on  
5 a tonnage basis. It is a principle involved, that you  
6 now have direct contact with overseas markets, and I am  
7 sure, as a good Canadian citizen, you would want to see  
8 the same principles applied to others who now have the  
9 same contact?

10 A. I am not authorized to speak for anyone  
11 except the Toronto port. They will not be hesitant in  
12 coming forward and speaking for themselves.

13 THE CHAIRMAN: You will not object to them  
14 speaking for themselves?

15 THE WITNESS: No.

16 MR. MAURO: Q. But the principle upon which  
17 this submission is made is that it is now due to the  
18 fact that Toronto is in a position to receive direct  
19 overseas shipments that you ask this Commission to recom-  
20 mend that export-import rates be applied to Toronto?

21 A. No, sir, that is only part of it. The  
22 very fact a port is in a position to accept overseas  
23 shipments does not mean it is in the business of  
24 shipping. It also has to accept some. There are many  
25 ports in a position to accept overseas shipping, and the  
26 overseas shipping bypasses that port for certain reasons  
27 -- facilities and markets, and so on. We maintain the  
28 port of Toronto, with the business it now handles, is  
29 in a position to be recognized as an ocean port.  
30







1 Q. Did it become an ocean port in 1958?

2 A. We maintain it did.

3 Q. With the 287,000 tons?

4 A. I am sorry, sir; I thought you said 1959.

5 Q. 1959?

6 A. 1958 -- we maintain, back in 1954 that  
7 the trend was developing which would show that by 1959  
8 Toronto would be and could be accepted as an ocean port.  
9 We have maintained that for the last five years. During  
10 that five-year period we have reached that point.

11 Q. Was it in 1954 that you first felt you  
12 were an ocean port?

13 A. We felt we were entitled to consideration  
14 on the basis of potential and future development, yes.

15 Q. And if the lakehead ports arrive at the  
16 position of 122,000 tons, then you would feel that similar  
17 considerations should be given to those ports?

18 A. If they can show the same potential that  
19 the port of Toronto shows -- but I am not in a position  
20 to speak for the lakehead or any other ports.

21 Q. I realize that, but I am suggesting it  
22 would be helpful to the Commission, with a man of your  
23 background, to try and find out.

24 THE CHAIRMAN: Well, I think you have got him  
25 as far as he will go.

26 THE WITNESS: You have to take a realistic  
27 view of the position of a port in relation to the market  
28 it serves.  
29  
30





1 CROSS-EXAMINATION BY MR. FRAWLEY:

2 Q. Could you help me out in this matter, Mr.  
3 Griffith: one of the flour mills in Calgary tells me  
4 that when they ship for export through the port of  
5 Vancouver they must pay certain extra charges for  
6 getting the flour from the railway car into the ship  
7 -- wharfage and such charges as are associated with  
8 wharfage charges, but when they ship through eastern  
9 ports they don't pay that. Can you throw any light on  
10 that?

11 A. No, because they would be shipping through  
12 National Harbours Board ports, and not the port of Toronto.

13 Q. Toronto harbour is not one of the National  
14 Harbours Board ports?

15 A. No, sir.

16 Q. You say it is because they are shipping  
17 through a National Harbours ---

18 A. No, sir. I say I can't answer because  
19 it doesn't apply to our port.

20 Q. If this flour manufacturer in Calgary  
21 was shipping for export through the east to the Atlantic,  
22 and they shipped it to Toronto -- because I presume  
23 you would be glad to take that and put it on an ocean-  
24 going vessel in Toronto and send it off to Liverpool or  
25 wherever it was going -- would they have to pay these  
26 wharfage charges through the port of Toronto -- the  
27 things they do not pay in Montreal?

28 A. There is no wharfage in the port of  
29 Toronto.  
30







1 Q. There would be no wharfage charge to this  
2 exporter of flour if he shipped through Toronto?

3 A. No.

4 Q. Do you know why there is, when he has to  
5 pay those charges in Vancouver -- are you familiar with  
6 the reason for that?

7 A. No, sir. That is a matter for the  
8 National Harbours Board.

9 MR. McDONALD: I have no questions, Mr.  
10 Griffith, but I would like to say this is a matter that  
11 I shall draw to the attention of our transport officers.

12 THE WITNESS: Thank you.

13  
14 CROSS-EXAMINATION BY MR. SINCLAIR:

15 Q. Mr. Griffith, you are a barrister, I  
16 believe?

17 A. That is correct, sir.

18 Q. Well, you can understand, possibly, that  
19 when I saw in your submission a question of demurrage  
20 I immediately marked that, and I am not going into one  
21 type of so-called free time, but I am going to say this  
22 -- and I think this should be of some assistance to the  
23 Commission -- does truck traffic get any free time  
24 moving in or out of the port of Toronto? Do the  
25 trucks provide free time?

26 A. Not to my knowledge, sir.

27 Q. Do the trucks publish export or import  
28 rates through the port of Toronto?

29 A. No, sir -- again, not to my knowledge.

30 Q. Do the trucks publish joint water truck





1 rates through the port of Toronto?

2 A. Not that I have seen, sir.

3 Q. I think Mr. Cumming asked you about the  
4 level: would it be the position of your Commission that  
5 their interests would be served by having a rate level  
6 at Toronto exactly the same as at Montreal?

7 A. No, sir, we are not asking that should be  
8 the same as Montreal. We are asking to be put in a  
9 comparable competitive position with other ocean ports.

10 Q. Would you contemplate having a higher  
11 export rail rate than Montreal -- is that what you mean  
12 by that answer?

13 A. That is possible under certain circum-  
14 stances, sir.

15 Q. But you certainly would not want anything  
16 lower than Montreal?

17 A. Well, if a company is located twenty  
18 miles from the port of Toronto, I think it is entitled  
19 to a better freight rate into the port of Toronto than  
20 it is to Montreal.

21 Q. Oh, yes, on a mileage basis?

22 A. On any basis. We have examples where a  
23 company -- about two or three years ago -- within one and  
24 a half miles of the docks, the shunting charge out of the  
25 dock was greater than the export-import rate to Montreal.

26 Q. Yes, but on a mileage basis, you would not  
27 want anything lower than Montreal?

28 A. I am not in a position to discuss that in  
29 detail. I am not a traffic man. We are asking that  
30





1 the railways give consideration and that the Royal Com-  
2 mission recommend consideration be given to our request  
3 that we be treated as an ocean port. We will be glad  
4 to work out the details on a traffic basis.

5 Q. What you are really suggesting is that the  
6 Harbour Commissioners of Toronto and the railways should  
7 get together and see what can be done?

8 A. We have been together over four years, and  
9 so far -- well, that is why we are here.

10 Q. Do you think this Commission has juris-  
11 diction in this matter?

12 A. We feel it has, sir.

13 Q. If, Mr. Griffith, you are feeling that you  
14 have an unjust locality discrimination, the Board of  
15 Transport Commissioners has jurisdiction in that regard,  
16 hasn't it?

17 THE CHAIRMAN: Well, I think they go further  
18 than that in the submission.

19 MR. SINCLAIR: Not as I read it, sir.

20 THE CHAIRMAN: Well, perhaps as we read it,  
21 it goes further.

22 MR. SINCLAIR: I would like to know in what  
23 degree. Maybe I have missed the point.

24 Q. In what degree do you go beyond unjust  
25 locality discrimination?

26 A. You are now using language which -- not  
27 being a traffic man ---

28 Q. That is not traffic language; that is  
29 legal language.  
30







1 A. Well, it may be railway legal language.

2 Q. No, statutory legal language.

3 A. We claim there is an inequity, and we claim  
4 there is also an injustice to the application of a  
5 principle to our port. We are bringing this to the  
6 attention of this Royal Commission and requesting a  
7 recommendation. We certainly intend to pursue the  
8 matter further in whatever field and to whatever board  
9 we consider necessary.

10 Q. But, if the Board of Transport Commis-  
11 sioners had jurisdiction, you have not utilized it?

12 A. Not to date, sir, no.

13  
14 BY COMMISSIONER GOBEIL:

15 Q. Mr. Griffith, you have divided into three  
16 groups your increase in traffic: is it possible to put  
17 a percentage figure on those three groups?

18 A. No, sir, it is not. I had hoped we  
19 might be able to get a breakdown of the increased  
20 business which would show it. We are not in a position  
21 to do that. We can only go from the information we  
22 have received from soliciting industries. We give  
23 you one example of a company that built a special and  
24 the first of its type -- manufacturing on the water-  
25 front and importing raw materials last year. That was  
26 new business for the area. There is one particular  
27 example. But, our studies arising from talking direct-  
28 ly to industry, which is our only method of getting  
29 information, have shown a much greater opportunity for  
30 trade from a growth of international trade than a





1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

diversion. The diversion, particularly Canadian  
seaboard, appears to be a very small part.

-

-

-

-

-

-

-







LL  
PM:IH  
24th

1 I will give one example if I am not taking up the  
2 Commission's time. This was made public some years ago  
3 of a company that came out with a new item along their  
4 general line of manufacture. They had an opportunity  
5 of putting it in one of the European markets and they had  
6 to meet a competitive price which could not be met by  
7 rail and water ex Montreal. They then went to the  
8 steamship lines that were coming to the port of Toronto  
9 with a small canal type of overseas ship. I forget the  
10 figure but I understand there was a saving of a little  
11 in excess of \$4 per unit laid down in the foreign country.  
12 Two years later the full production of that product of  
13 that company was being sold on export. There is one  
14 example of what we mean by the maximum ultimate potential  
15 in new business in international trade instead of diver-  
16 sion from Montreal. Quite frankly the result of the  
17 inquiries we have made in industry shows that there is  
18 more of the trade which we could try and get and which  
19 we feel is rightfully ours. More is going to American  
20 ports than to Canadian ports, a matter which the National  
21 Harbours Board has for three years tried to change.

22 As stated in this brief, the Toronto Harbour  
23 Commission, in order to get its share of that trade from  
24 American companies in the area which we maintain we now  
25 serve have opened a New York office and we have been down  
26 to certain trade meetings in New York. I might say that  
27 we find we are now beginning to get certain success from  
28 that and we expect to get far more this year.

29 There is one more observation if I may make it,  
30





1 Mr. Chairman. As a result of negotiations and talks  
2 over the last four, five or six months and based on our  
3 argument that ships, many ocean-going ships, were  
4 coming into the port of Toronto, discharging full or  
5 mostly full cargoes and then leaving empty, that there  
6 should be some basic export commodity available for  
7 them in this area.

8  
9 The Wheat Board, I was advised by long distance  
10 telephone at noon today, has announced that export grain  
11 rates for Toronto c.i.f. in place as of today. Now,  
12 that announcement will also, I understand, apply to  
13 other places on the Great Lakes. It is not exclusively  
14 for Toronto and arises from our brief to them that ships  
15 come in loaded and go out lacking export. As a result  
16 of that application the Wheat Board has made the announce-  
17 ment today. Therefore, the Canadian Wheat Board has  
18 seen fit to recognize us as an ocean port and we request  
19 the same treatment from you.

20 Q. The 1959 700,000 tons, what percentage  
21 of overseas trade would that be? Is it possible to say?

22 A. That is the overseas trade, the total  
23 trade at the port last year was about 4,700,000 -- in  
24 round figures about 400,000 tons in general cargo.

25 BY COMMISSIONER MANN:

26 Q. First of all, I want to compliment you  
27 personally for the most aggressive way in which you  
28 promote the port of Toronto. Being somewhat interested  
29 in some ports across the country I certainly noticed  
30 this port. As you have mentioned, you have opened a







1 New York office, but you did not mention, unless my  
2 memory is wrong, that you hired one of the New York  
3 Board Authority people to run it, which I think was a  
4 smart thing to do.

5 Just one question: I seem to remember that  
6 the American lake ports were after the same thing,  
7 getting an export rate from Chicago or, I hope Mr.  
8 Mauro will forgive me for mentioning the word, from  
9 Duluth. They were also after the 7-day export demur-  
10 rage that prevail from the United States. Could you  
11 tell the Commission how successful they have been with  
12 that?

13 A. I am sorry, I cannot, because I am confused  
14 on that issue myself.

15 Q. That is why I asked the question; I am  
16 too.

17 A. I understand that certain arrangements  
18 have been reached and I understand they have been  
19 cancelled, and I heard they had only been amended, and  
20 I quite frankly at the moment do not know. However,  
21 we will be in Chicago on Thursday and Friday and we  
22 shall be meeting with certain representatives of  
23 American Great Lakes ports, and if the Commission would  
24 like a written statement from us as to what we can find  
25 out ---  
26

27 THE CHAIRMAN: If you would write the  
28 secretary.

29 THE WITNESS: If we can find out we will do  
30 so.







1 THE CHAIRMAN: We would appreciate it.

2 MR. FRAWLEY: May I ask a question. Mr.  
3 Griffith, will you explain to me, if a flour miller in  
4 Calgary is shipping a carload of flour for export and  
5 he ships it to Toronto, would he pay more than if he  
6 shipped the car to Montreal?

7 THE WITNESS: Yes, it is on a domestic rate  
8 to Toronto.

9 MR. FRAWLEY: And an export rate to Montreal?

10 THE WITNESS: Yes.

11 MR. FRAWLEY: That is the nub of what you  
12 are talking about?

13 THE WITNESS: Yes.

14 MR. SINCLAIR: I wonder if Mr. Griffith writes  
15 to the Secretary of the Commission as to something extra  
16 to his brief if he would send the same thing to counsel  
17 for the railways so they could also see it?

18 THE CHAIRMAN: Yes, I am sure he will. Thank  
19 you.

20 THE WITNESS: May I express my appreciation  
21 and the appreciation of the Toronto Harbour Commissioners  
22 for such a courteous hearing?

23 THE CHAIRMAN: The next submission will be  
24 from the Ontario Federation of Agriculture, and if they  
25 are called we will just adjourn until tomorrow morning.  
26 Will you please identify yourself for the record?





SUBMISSION OF  
ONTARIO FEDERATION OF AGRICULTURE

Appearances:

Mr. Cecil Belyea                  Ontario Federation of Agri-  
culture

Mr. Julian Smith                      United Cooperatives of  
Ontario

THE CHAIRMAN: Your brief will be taken as read and tomorrow morning at nine-thirty o'clock you will be subject to cross-examination.

1. The Ontario Federation of Agriculture is pleased to present the following brief statement concerning aspects of transportation, especially rail transportation, which seem to bear most directly on the marketing of primary agricultural products of Ontario origin.

2. In setting forth its views, the Ontario Federation of Agriculture (hereinafter referred to as the OFA) does not pose as an authority on transportation problems. The OFA is an incorporated, voluntary farm organization speaking for the great majority of Ontario farmers. The language used will be

farmers. The language used will be mainly non-technical as befits a lay examination of an unfamiliar and complicated subject. Nevertheless, it is hoped that, however inexpert the approach may be, the points raised and suggestions offered will be sufficiently valuable to warrant the Commission's







1 attention and study.

2  
3 3. History teaches that it is to the railroad  
4 that Canada owes largely her existence as a nation.  
5 Moreover, in the process of colonization and develop-  
6 ment, it has come about that Canada "has more railway  
7 transport per capita than any country in the world."  
8 (Van der Valk, Economic Future of Canada, Page 78,  
9 McGraw-Hill). Although other forms of transport have  
10 begun to figure prominently, the railroad, by long odds,  
11 for reasons of geography and climate, remains pre-  
12 eminent. It follows that this country's great depen-  
13 dence on the railroads has resulted in an unusual  
14 national preoccupation with rail freight rates -- par-  
15 ticularly rising freight rates. The long-established  
16 Board of Transport Commissioners acting as a public  
17 referee with jurisdiction in most areas of rate adjust-  
18 ment is one manifestation of public concern; the periodic  
19 appointment of commissions of inquiry is another. Yet,  
20 despite the scrutiny of boards and the probing of  
21 commissions, lasting solutions to rail transport diffi-  
22 culties remain elusive. Central among these diffi-  
23 culties is said to be the problem of rising costs which,  
24 in its influence on the rate structure, has tended toward  
25 a geographical contraction rather than a desired ex-  
26 pansion of markets.

27 4. For the purpose of bringing farmer criticism  
28 of transportation policy and rates into clearer focus,  
29 the OFA has established a special committee. This com-  
30 mittee, working closely with OFA member bodies engaged





1 in marketing primary agricultural commodities, has  
2 come forward with the following delineation of farm  
3 interest areas:

- 4 (a) commodity reclassification (rail),
- 5 (b) indefinite and slow action on applications  
6 for special rate adjustments, especially  
7 agreed charges,
- 8 (c) effect on prices of Ontario wheat and corn  
9 of federal freight assistance on western  
10 feed grains,
- 11 (d) other assorted matters, e.g. interprovincial  
12 truck movement, rail rolling stock for  
13 grain, etc.

14  
15 Commodity Reclassification:

16 5. One of the leading bones of contention in  
17 Ontario is the matter of commodity classification. On  
18 several occasions in the past the question of reclassifying  
19 soyabeans and white beans has been raised before the  
20 Canadian Freight Association. The request has been  
21 for changes in classification from "oil-bearing seed"  
22 to "grain" in the case of soyabeans, and from "vegetable"  
23 to "grain" in the case of white beans with the object  
24 of securing the lower "grain" rate. All requests  
25 have met with a firm negative reply. The reason given  
26 by the railways for their stand in the soyabean connec-  
27 tion is that to grant the requested classification change  
28 would prompt flaxseed and rapeseed shippers to ask for  
29 a similar change. The OFA finds this argument un-  
30 convincing and wonders if soyabeans must carry a higher







1 tariff more because of tradition than for any other  
2 reason. In any case, the rail freight business in  
3 flaxseed in Ontario seems to be relatively unimportant  
4 whereas rail shipments of soyabeans could be much  
5 larger. It is worth noting that soyabeans are handled  
6 in precisely the same manner and with the same  
7 facilities as grain. Moreover it is believed that only  
8 Canadian railroads among all transport media on this  
9 continent make a distinction between soyabeans and  
10 grain. As matters stand, the railways already have  
11 lost a large share of the bean revenue to truck com-  
12 petition.

13  
14 In the matter of white (dried) beans, now  
15 classified as a vegetable for certain rail rate purposes,  
16 a situation obtains where a similar product such as  
17 dried peas is permitted to move at a comparatively low  
18 class rate. It is difficult for the layman to under-  
19 stand why peas should enjoy a rate of 63 cents per  
20 hundredweight on movements from Blenheim to Montreal while  
21 dried beans carry a rate of 98 cents. Similarly, the  
22 rate from Blenheim to Halifax on peas is \$1.08 per  
23 hundredweight while the rate on beans is \$1.24 per  
24 hundredweight.

25 This issue is raised to bring to the attention  
26 of the Commission the need for a study of the freight  
27 problems of not merely soyabeans and white beans, but  
28 of all agricultural commodities. Investigation might  
29 reveal that, were the railroads to confer more closely  
30 with groups engaged in marketing primary agricultural







1 products in Ontario and strive to meet the special  
2 needs of these groups, the effort would be amply repaid  
3 in increased business and revenue.

4 Special Rate Adjustments.

5 6. From time to time agricultural groups have  
6 sought adjustments in rail rates to meet competition  
7 from products of foreign origin and to widen domestic  
8 distribution of Ontario-produced farm commodities.  
9 Prominent among the requests for adjustment have been  
10 applications for agreed charges. Although agreed  
11 charges have a superficial look of untidiness, it is  
12 presumed that they have become a permanent part of the  
13 rate structure and are deserving of particular attention  
14 in the agricultural connection. As of 1956, according  
15 to one investigator, agriculture had been but little  
16 affected by agreed charges. (J.P.Cairns, A Statistical  
17 Summary of Agricultural Rail Traffic in Canada, 1946-54,  
18 Page 5, Ontario Agricultural College, Guelph). Up  
19 to that year only certain movements of canned goods  
20 butter and potatoes took place under agreed charge  
21 arrangements. Probably the list has not been enlarged  
22 very much since then. The experience of farm marketing  
23 groups leads the OFA to the view that the railroads  
24 are either unable or reluctant to decide speedily enough  
25 on applications for agreed charges as well as for all  
26 other rate adjustments on farm products, to render more  
27 than patchily useful attempts to secure better bargains.  
28 7. To illustrate the OFA's contention the follow-  
29 ing cases are cited:  
30





1 Case (1): A farmers' cooperative marketing grain  
2 for its members in western Ontario appealed to the rail-  
3 roads for an agreed charge on shipments to a nearby  
4 market. By the time an affirmative answer had been  
5 received the cooperative had been forced to purchase  
6 its own trucks and found it uneconomical to revert to  
7 to the railroad service.

8 Case (ii): A fruit organization requested reduced  
9 rates on apples moving to a western Canadian market  
10 in order to meet competition from apples originating  
11 in the U.S.A. The permissible rate was granted only  
12 after many weeks of costly delay.

13 Case (iii): A manager of a cooperative endeavoured for  
14 two years to get an acceptable rate on grain moving  
15 from Goderich to the cooperative. In desperation he  
16 finally purchased a truck to haul grain between the  
17 two points. Shortly afterward, a request was made for  
18 an agreed charge on mill feed shipments from Port  
19 Colborne to the cooperative. This request was granted  
20 very quickly although a guarantee of 100 per cent of  
21 the mill feed shipments had to be given.

22 Case (iv): A heavy grape crop in the Niagara  
23 Peninsula in 1959 made necessary the seeking of new  
24 markets. These were found in Calgary and Edmonton.  
25 Unfortunately the prevailing freight rate was unrealisti-  
26 cally high in that it had been based on no recent  
27 experience in the movement of Ontario grapes to those  
28 markets. A request for a special reduced rate was  
29 made. In the six weeks that elapsed between the  
30







1 request and the affirmative reply the need of the  
2 grower and the opportunity of the carrier had all but  
3 vanished.  
4

5 8. In the light of the above cases, the OFA is  
6 convinced that some means must be found of speeding up  
7 action on requests for rate adjustments. Delays of  
8 weeks, months and years are frustrating and costly.  
9 Even a negative reply, if given quickly, often would  
10 enable the shipper to make alternative arrangements  
11 to eliminate a bottleneck. Tentatively, the OFA would  
12 suggest the following possibilities:

- 13 (a) reduction of the waiting period required by  
14 the Board of Transport Commissioners following  
15 publication of an agreed charge from 20 days  
16 to three days (a waiting period of three days  
17 is understood to be the requirement following  
18 publication of a change in ordinary rates.)  
19 (b) establishment of a permanent, independent  
20 authority to (i) investigate the transportation  
21 needs of the agricultural industry; (ii) offer  
22 objective advice to the railroads in respect  
23 of applications for rate adjustments on  
24 agricultural products; (iii) expedite action  
25 on applications whenever the railroads fail to  
26 give prompt action; (iv) entertain appeals and  
27 make awards on decisions of the railroads  
28 in response to requests for rate adjustments,  
29 as well as the power to make its awards final  
30 and binding on both parties.





1 Wheat and Corn Prices.

2 9. While the freight assistance policy on the  
3 movement of western feed grains has been an undoubted  
4 boon to the eastern livestock feeder, Ontario producers  
5 of wheat and corn feel that the prices they receive in  
6 normal years have suffered as a consequence. The  
7 extent of this suffering is difficult to assess.  
8 Ontario-produced wheat has had to compete with freight-  
9 subsidized western feed grains particularly in Ontario  
10 markets. Similarly, Ontario-produced corn because of  
11 the freight subsidy, has been blocked from markets east  
12 of Montreal. The unhappy result has been that prices  
13 for both wheat and corn are believed to have been  
14 artificially depressed to an extent approximating the  
15 amount of the subsidy.

16 10. In the case of Ontario wheat, we have a quality  
17 commodity which is notable both as a high grade milling  
18 product and as an animal feed. In years of short  
19 crops when a larger proportion is used for milling and  
20 baking, the price reflects this higher use. In years  
21 of heavier production, however, the limited capacity of  
22 the market forces its greater use as feed and it be-  
23 comes directly competitive with subsidized western  
24 grain.

25 11. Corn, likewise, is processed for human  
26 consumption as well as forming a valuable addition to  
27 animal feed rations. Ontario soils and climate offer  
28 the best environment in Canada for its production.  
29 Unfortunately, Ontario corn is usually in a precarious  
30







1 economic position because

- 2 (a) unlike other grains, imports are not  
3 restricted (except for a small tariff);  
4 (b) corn originating in the U.S. is exported  
5 to Canada by rail at rates which are more  
6 advantageous than those available to Ontario  
7 shippers thus eliminating Ontario corn  
8 from much of the processing market;  
9 (c) the freight assistance on western feed grains,  
10 as mentioned above, has effectively barred  
11 Ontario corn from Quebec and maritime markets.  
12

13 12. Producers of both wheat and corn believe  
14 that there is a measure of injustice in a system which  
15 sets up barriers to or otherwise discourages market  
16 expansion for commodities whose production could be in-  
17 creased considerably. They believe that a policy which  
18 favours one group of producers at the expense of another  
19 is discriminatory. However, this statement is not to  
20 be construed as a condemnation of the established policy  
21 of freight assistance on western feed grains. What  
22 Ontario producers request, and expect, is treatment equal  
23 to that accorded to other groups. As a single example  
24 of the injustice referred to, consider the following  
25 situation:

26 The cost of railing one ton of feed grain  
27 (say, barley) from the lakehead to Saint John, N.B. for  
28 local delivery is \$21.60 per ton, less the \$14.90 per ton  
29 feed freight assistance, leaving a net freight cost  
30 of \$6.70 per ton to the shipper. But, if Ontario-produced







1 feed grains (corn) are railed from Walkerville to  
2 Saint John, the cost per ton is \$21, which is the net  
3 freight cost to the shipper. This creates a difference  
4 of \$14.30 per ton between western Canadian feed grains  
5 and those of Ontario origin in the Saint John market.

6 It is recommended, therefore, that the freight  
7 assistance policy be extended in the form of a freight  
8 subsidy on all shipment of Ontario wheat and corn so  
9 as to give these commodities competitive parity with  
10 western feed grains in all eastern Canadian markets.  
11 Other Details.

12  
13 13. Before concluding its brief, the OFA wishes  
14 to mention two or three other matters which may be of  
15 interest to the Commission. First, the Commission is  
16 requested to investigate the regulations with respect  
17 to the interprovincial movement of trucks, especially  
18 with respect to licensing. Secondly, the Commission  
19 is asked to initiate research into the question of  
20 whether present methods of handling and hauling grain  
21 might be improved. Thirdly, it is requested that con-  
22 sideration be given to a reduction in demurrage charges, a  
23 matter of considerable importance in connection with  
24 the movement of grain. Finally, there is the complaint  
25 voiced by some shippers that difficulties arise periodi-  
26 cally in the procurement of rail cars.

27 14. A summary of the essential recommendations in  
28 this submission is as follows:

- 29 (1) The need of close and sympathetic study of the  
30 transport requirements of the primary





1 agricultural industry especially as regards  
2 the reclassification of commodities like  
3 soyabeans and white (dried) beans for rate  
4 establishment purposes;

5 (2) Reduction in waiting period on agreed charges  
6 from 20 days to three days;

7 (3) Institution of an independent authority to  
8 expedite action on requests for rate adjust-  
9 ment and to hear appeals and make awards in this  
10 connection;

11 (4) Application of a freight subsidy on all ship-  
12 ments of Ontario wheat and corn.

13 15. The OFA again wishes to express its apprecia-  
14 tion for this opportunity of presenting the views of  
15 organized farmers of Ontario on some transportation  
16 issues. The OFA commends the institution of the Com-  
17 mission and looks forward to the publication of its  
18 findings.

19 ---Adjournment.  
20  
21  
22  
23  
24  
25

26 (Page 7425 follows)  
27  
28  
29  
30









HANDBOUND  
AT THE



UNIVERSITY OF  
TORONTO PRESS



